

Table of Contents

EXECUTIVE SUMMARY	III
SUMMARY OF FINDINGS.....	III
<i>Revenue Requirements</i>	<i>iv</i>
<i>Cost of Service Allocations</i>	<i>v</i>
<i>Cost-of-Service Water Rates</i>	<i>v</i>
<i>Revenue Requirements for Subsequent Test Years</i>	<i>x</i>
<i>Cost of Service Allocations and Water Rates for Subsequent Test Years</i>	<i>x</i>
INTRODUCTION	1
GENERAL BACKGROUND	1
PURPOSE.....	2
SCOPE.....	2
REVENUES AND REVENUE REQUIREMENTS	3
SUMMARY	3
REVENUE REQUIREMENTS	4
<i>Operation and Maintenance Expense Projections</i>	<i>4</i>
<i>Debt Service</i>	<i>5</i>
<i>Depreciation Expense</i>	<i>5</i>
REVENUE PROJECTIONS	7
<i>Revenues Not Subject to Rate Increase</i>	<i>7</i>
<i>Non-Operating Income</i>	<i>7</i>
<i>Water Sales Revenues</i>	<i>8</i>
COST OF SERVICE ALLOCATIONS	9
COST OF SERVICE TO BE ALLOCATED	9
CASH BASIS/UTILITY BASIS	10
RETURN ON EQUITY.....	11
FUNCTIONAL COST COMPONENTS	12
ALLOCATION TO COST COMPONENTS	12
<i>Allocation of Depreciation Expense</i>	<i>13</i>
<i>Allocation of Net Plant Investment</i>	<i>15</i>
<i>Allocation of Debt Service and Debt Service Coverage</i>	<i>15</i>
<i>Allocation of Operation and Maintenance Expense</i>	<i>18</i>
DISTRIBUTION OF COSTS TO CUSTOMER CLASSES	18
<i>Customer Classification</i>	<i>18</i>
UNITS OF SERVICE	28
<i>Customer Class Costs of Service</i>	<i>30</i>
PROPOSED RATES	34
PSC-COMPLIANT COST-OF-SERVICE RATES.....	34
REVENUE SUFFICIENCY	35

Table of Contents (continued)

<i>Adequacy of Existing Rates to Meet Cost of Service</i>	35
<i>Comparison of Revenues under Proposed Rates and Allocated Cost of Service</i>	36
TYPICAL BILLS	37
APPENDIX A	A-1
APPENDIX B	B-1
APPENDIX C	C-1
APPENDIX D	D-1

List of Tables

SCHEDULE A SUMMARY OF TEST YEAR REVENUE REQUIREMENTS.....	IV
SCHEDULE B COMPARISON OF REVENUES UNDER EXISTING RATES AND ALLOCATED COST OF SERVICE....	VI
SCHEDULE C PROPOSED PSC-COMPLIANT RATES	VII
SCHEDULE D TYPICAL WATER BILLS UNDER EXISTING AND PROPOSED RATES	VIII
SCHEDULE E REVENUE REQUIREMENTS FOR SUBSEQUENT TEST YEARS	XI
SCHEDULE F INCREMENTAL REVENUE REQUIREMENTS FOR SUBSEQUENT TEST YEARS.....	XI
SCHEDULE G PROPOSED RATES FOR SUBSEQUENT TEST YEARS.....	XII
SCHEDULE 1 SUMMARY OF TEST YEAR REVENUE REQUIREMENTS	3
SCHEDULE 2 TEST YEAR OPERATION AND MAINTENANCE EXPENSE	4
SCHEDULE 3 DEBT SERVICE	5
SCHEDULE 4 DEPRECIATION EXPENSE.....	6
SCHEDULE 5 REVENUES NOT SUBJECT TO RATE INCREASE.....	7
SCHEDULE 6 NON-OPERATING INCOME.....	8
SCHEDULE 7 TEST YEAR REVENUES UNDER EXISTING RATES	8
SCHEDULE 8 REVENUE REQUIREMENTS	9
SCHEDULE 9 RETURN ON UTILITY PLANT AND RETURN ON EQUITY	11
SCHEDULE 10 ALLOCATION OF DEPRECIATION.....	14
SCHEDULE 11 ALLOCATION OF NET PLANT INVESTMENT, DEBT SERVICE AND DEBT SERVICE COVERAGE	16
SCHEDULE 12 ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE	19
SCHEDULE 13 UNITS OF SERVICE FOR RATE CASE YEAR.....	29
SCHEDULE 14 UNIT COSTS OF SERVICE FOR RATE CASE YEAR	31
SCHEDULE 15 DISTRIBUTION OF COSTS TO CUSTOMER CLASSES.....	32
SCHEDULE 16 PROPOSED COST OF SERVICE RATES	34
SCHEDULE 17 COMPARISON OF REVENUES UNDER EXISTING RATES & ALLOCATED COST OF SERVICE.....	35
SCHEDULE 18 COMPARISON OF REVENUES UNDER PROPOSED RATES & ALLOCATED COST OF SERVICE	36
SCHEDULE 19 TYPICAL CUSTOMER WATER BILLS UNDER EXISTING AND PROPOSED RATES	37

Executive Summary

Black & Veatch has prepared this report for the Northern Kentucky Water District (the “District”) to summarize the District’s rate case filing, Case No. 2005-00148, with the Kentucky Public Service Commission (“PSC”). The District’s case-in-chief will be filed with the PSC on or before May 31, 2005 and will be available at the District’s office.

This report reviews the District’s financial planning projections and evaluates the rate development activities of the Utility. The specific goals of the study were to:

- Review the District’s projections for revenues under existing rates and projected revenue requirements;
- Allocate Test Year revenue requirements to the various customer classes in accordance with the respective service requirements;
- Develop a suitable schedule of water rates which will produce revenues adequate to meet financial needs on a basis which recognizes customer costs of service, PSC requirements, and local policy considerations; and,
- Identify procedures for equitable management of revenue requirements and associated rates for subsequent test years.

Summary of Findings

The financial condition of the District is influenced by a number of factors. Rates charged for service should, at a minimum, be adequate to cover operating costs, to cover repair and replacement costs, and to meet outstanding debt covenant requirements. Sound financial operation also recommends maintaining a capital reserve to address unplanned and emergency capital requirements.

The costs of providing water service should be identified for each group of customers and type of service based on consideration of utility revenue needs and projected customer service requirements. Adjustments in water rates should be designed for retail and wholesale service customers in accord with allocated costs of service, PSC requirements, and local policy consideration.

The Northern Kentucky Water District has engaged Black & Veatch to conduct a cost of service analysis and to design water rates that equitably recover the cost to service the various customer classes. The principal findings and recommendations of the studies are summarized herein.

In conducting our analyses and in forming an opinion of the projection of future operations summarized in this report, Black & Veatch has made certain assumptions with respect to conditions, events, and circumstances that may occur in the future. The methodology utilized by Black & Veatch in performing the analysis follows generally accepted practices for such projections. Such assumptions and methodologies are summarized in this report and are reasonable and appropriate for the purpose for which they are used. While Black & Veatch believes the assumptions are reasonable and the projection methodology valid, actual results may differ materially from those projected, as influenced by the conditions, events, and circumstances that actually occur.

Revenue Requirements

- The existing water rates are shown as Appendix A of this report. The District’s last rate adjustment was approved under Case No. 2003-00224 (the “2003 Order”) and became effective in August 2004.
- Financial projections for the current rate case are based on the period from January 1, 2004 through December 31, 2004. Test year revenues and expenses have been adjusted to reflect known and measurable changes over the study period. A summary of the test year revenues and revenue requirements is shown in Schedule A.

**Schedule A
 Summary of Test Year Revenue Requirements**

Line No.			
1	OPERATION & MAINTENANCE	\$20,375,306	Schedule 2
2	DEBT SERVICE	12,541,807	Schedule 3
3	DEPRECIATION	5,328,876	Schedule 4
4	DEBT SERVICE COVERAGE	<u>2,458,361</u>	Schedule 3
5	TOTAL REVENUE REQUIREMENTS	40,704,350	
6	LESS: OPERATING REVENUES NOT SUBJECT TO RATE INCREASE	(1,873,546)	Schedule 5
7	LESS: NON-OPERATING INCOME	(952,600)	Schedule 6
8	LESS: BOONE & FLORENCE RESERVE AND EARLY TERMINATION	<u>(443,685)</u>	Schedule 6
9	NET REVENUE REQUIREMENTS	37,434,519	
10	REVENUES AT CURRENT RATES	<u>(34,059,199)</u>	Schedule 7
11	NET INCREASE REQUIRED	3,375,320	
12	PERCENTAGE INCREASE IN REVENUE	9.91%	

- Total revenue requirements, adjusted for known and measurable changes, for the test year total \$40,704,350. Revenue requirements include \$20,375,306 of operation and maintenance expense, \$12,541,807 of debt service, \$5,328,876 for depreciation, and \$2,458,361 for debt service coverage.
- Debt service includes the average principal and interest payments that will be due for the first four years for \$29,000,000 of proposed revenue bonds (“2006 Bonds”).
- As part of this rate filing, the District has included its 5-year capital improvement program. Capital improvements totaling \$21,510,000 (the “Projects”) will be funded via the 2006 Bonds. In addition, the 2006 Bonds will retire 2004 Notes of \$3,650,000 used to purchase the Central Facility.
- Revenues under existing rates during the test year total \$37,329,030. Revenues include \$952,600 of non-operating income, \$1,873,546 of operating revenue not subject to rate increase, \$443,685 from the amortization of the Boone & Florence settlement and early termination payment, and \$34,059,199 of water sales revenues adjusted for a full year of the last rate adjustment, the conversion of Taylor Mill customers to retail service, and volume normalization due to the impact of abnormal rainfall in the test year.
- In order to meet test year revenue requirements, water sales revenues must increase by \$3,375,320. The overall increase in water sales revenues required to meet test year revenue requirements is 9.91 percent.

Cost of Service Allocations

- Test year revenue requirements are allocated in this rate study in accordance with the American Water Works Association’s (“AWWA’s”) recommended methodology which endorses a cost-causative approach for allocating revenue requirements to customer classes, with the exception of the delineation between transmission and distribution mains which follows the directives of the 2002 Order.
- A summary of the cost allocations to customer classes based on the service requirements of each customer class is presented in Schedule B.

Cost-of-Service Water Rates

- A rate schedule that follows the 2002 Order’s cost-of-service methodology is proposed herein and summarized in Schedule C.
- The proposed rates recover 100 percent of system revenue requirements.

Schedule B

Comparison of Revenues under Existing Rates and Allocated Cost of Service

Line No.	Description	Allocated Cost of Service	Adjusted Cost of Service	Revenue Under Existing Rates	Indicated Percent Change
		\$	\$	\$	%
Retail					
Monthly					
1	Residential/Multi Family	908,075	924,909	818,221	13.04%
2	Commercial	134,789	137,288	121,660	12.85%
3	Industrial	455,099	463,536	425,883	8.84%
4	Public Authority	901,169	917,875	836,361	9.75%
5	Total Retail - Monthly	2,399,132	2,443,608	2,202,125	10.97%
Quarterly					
6	Residential/Multi Family	25,541,135	26,014,625	23,700,663	9.76%
7	Commercial	5,096,859	5,191,346	4,677,054	11.00%
8	Industrial	1,856,160	1,890,570	1,753,065	7.84%
9	Public Authority	1,037,701	1,056,938	956,596	10.49%
10	Total Retail - Quarterly	33,531,855	34,153,480	31,087,378	9.86%
11	Total Retail	35,930,987	36,597,088	33,289,503	9.94%
12	Wholesale	837,431	837,431	769,696	8.80%
Fire Protection^(a)					
13	Public	611,852	0	0	0.00%
14	Private	54,249	0	0	0.00%
15	Total Fire Protection	666,101	0	0	0.00%
16	Total System	37,434,519	37,434,519	34,059,199	9.91%

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

(a) Private fire protection revenues applied as a credit against total fire protection costs.

Schedule C
Proposed PSC-Compliant Rates

Service Charge

Meter Size	Monthly	Quarterly
	Service Charge	Service Charge
5/8"	11.76	17.24
3/4"	12.13	18.10
1"	13.15	20.67
1 1/2"	14.75	24.16
2"	18.39	33.58
3"	42.91	102.29
4"	53.66	128.15
6"	79.35	188.64
8"	106.92	257.34
10" and larger	142.39	335.72

Commodity Charges

	Monthly Block	Quarterly Block	
	ccf	ccf	
First	15	45	\$2.86 per ccf
Next	1,635	4,905	\$2.48 per ccf
Over	1,650	4,950	\$2.32 per ccf
Wholesale			\$1.94 per ccf

- Water bills for “typical” customers under the existing and proposed rate schedules are illustrated in Schedule D.
- The typical bill for a residential customer using 18,000 gallons per quarter increases \$7.40 or 9.4 percent.

Schedule D
Typical Water Bills under Existing and Proposed Rates

Meter Size	Monthly Usage		Existing Rates	Proposed		
	Ccf	1,000 gallons	\$	Rates \$	Increase \$	Increase %
Monthly						
5/8"	0	0	10.33	11.76	1.43	13.8%
5/8"	3	2	17.35	19.40	2.05	11.8%
5/8"	7	5	27.90	30.86	2.96	10.6%
5/8"	8	6	31.42	34.70	3.28	10.4%
5/8"	13	10	45.49	50.00	4.51	9.9%
5/8"	20	15	61.04	67.18	6.14	10.1%
5/8"	27	20	75.96	83.78	7.82	10.3%
5/8"	40	30	105.75	116.91	11.16	10.6%
5/8"	67	50	165.38	183.22	17.84	10.8%
5/8"	134	100	314.44	348.99	34.55	11.0%
3/4"	40	30	106.10	117.28	11.18	10.5%
3/4"	67	50	165.73	183.59	17.86	10.8%
3/4"	134	100	314.79	349.36	34.57	11.0%
1"	27	20	77.24	85.17	7.93	10.3%
1"	67	50	166.66	184.61	17.95	10.8%
1"	134	100	315.72	350.38	34.66	11.0%
1 1/2"	134	100	317.16	351.98	34.82	11.0%
1 1/2"	334	250	764.32	849.27	84.95	11.1%
1 1/2"	668	500	1,509.58	1,678.08	168.50	11.2%
2"	334	250	767.65	852.91	85.26	11.1%
2"	668	500	1,512.91	1,681.72	168.81	11.2%
2"	1,337	1,000	3,003.47	3,339.38	335.91	11.2%
3"	668	500	1,535.37	1,706.24	170.87	11.1%
3"	1,337	1,000	3,025.93	3,363.90	337.97	11.2%
3"	2,674	2,000	5,853.45	6,515.39	661.94	11.3%
4"	1,337	1,000	3,035.72	3,374.65	338.93	11.2%
4"	2,674	2,000	5,863.24	6,526.14	662.90	11.3%
4"	6,684	5,000	14,204.91	15,830.31	1,625.40	11.4%
6"	2,674	2,000	5,886.64	6,551.83	665.19	11.3%
6"	6,684	5,000	14,228.31	15,856.00	1,627.69	11.4%
6"	13,368	10,000	28,131.07	31,362.93	3,231.86	11.5%
8"	6,684	5,000	14,253.46	15,883.57	1,630.11	11.4%
8"	13,368	10,000	28,156.22	31,390.50	3,234.28	11.5%
8"	26,736	20,000	55,961.79	62,404.40	6,442.61	11.5%
10"	13,368	10,000	28,188.47	31,425.97	3,237.50	11.5%
10"	26,736	20,000	55,994.04	62,439.87	6,445.83	11.5%
10"	66,840	50,000	139,410.69	155,481.52	16,070.83	11.5%

Schedule D (continued)
Typical Water Bills under Existing and Proposed Rates

Meter Size	Quarterly Usage		Existing Rates	Proposed		
	Ccf	1,000 gallons	\$	Rates \$	Increase \$	Increase %
Quarterly						
5/8"	0	0	15.37	17.24	1.87	12.2%
5/8"	8	6	36.46	40.18	3.72	10.2%
5/8"	20	15	68.10	74.58	6.48	9.5%
5/8"	24	18	78.65	86.05	7.40	9.4%
5/8"	40	30	120.83	131.93	11.10	9.2%
5/8"	60	45	167.53	183.54	16.01	9.6%
5/8"	80	60	212.24	233.26	21.02	9.9%
5/8"	120	90	301.66	332.71	31.05	10.3%
5/8"	201	150	480.53	531.63	51.10	10.6%
5/8"	401	300	927.69	1,028.92	101.23	10.9%
3/4"	120	90	302.45	333.57	31.12	10.3%
3/4"	201	150	481.32	532.49	51.17	10.6%
3/4"	401	300	928.48	1,029.78	101.30	10.9%
1"	80	60	218.59	236.69	18.10	8.3%
1"	201	150	486.88	535.06	48.18	9.9%
1"	401	300	934.04	1,032.35	98.31	10.5%
1 1/2"	401	300	942.68	1,035.84	93.16	9.9%
1 1/2"	1,003	750	2,284.16	2,527.71	243.55	10.7%
1 1/2"	2,005	1,500	4,519.98	5,014.18	494.20	10.9%
2"	1,003	750	2,347.22	2,537.13	189.91	8.1%
2"	2,005	1,500	4,583.04	5,023.60	440.56	9.6%
2"	4,010	3,000	9,054.66	9,996.52	941.86	10.4%
3"	2,005	1,500	4,606.76	5,092.31	485.55	10.5%
3"	4,010	3,000	9,219.31	10,065.23	845.92	9.2%
3"	8,021	6,000	17,560.97	19,519.72	1,958.75	11.2%
4"	4,010	3,000	9,274.77	10,091.09	816.32	8.8%
4"	8,021	6,000	17,616.43	19,545.58	1,929.15	11.0%
4"	20,052	15,000	42,641.43	47,458.08	4,816.65	11.3%
6"	8,021	6,000	17,679.44	19,606.07	1,926.63	10.9%
6"	20,052	15,000	42,704.44	47,518.57	4,814.13	11.3%
6"	40,104	30,000	84,412.76	94,039.40	9,626.64	11.4%
8"	20,052	15,000	42,776.27	47,587.27	4,811.00	11.2%
8"	40,104	30,000	84,484.59	94,108.09	9,623.50	11.4%
8"	80,208	60,000	167,901.27	187,149.77	19,248.50	11.5%
10"	40,104	30,000	84,177.15	94,186.48	10,009.33	11.9%
10"	80,208	60,000	167,593.83	187,228.15	19,634.32	11.7%
10"	200,521	150,000	417,843.81	466,353.13	48,509.32	11.6%

Revenue Requirements for Subsequent Test Years

- Schedule E presents revenue requirements for subsequent test years in categories and format similar to Schedule A. For comparative purposes the current test year is included as well.
- Total revenue requirements are projected to increase from \$40,704,350 in the current test year to \$49,874,169 by 2009.
- Operation and maintenance expense is projected to increase 4% annually from the current test year projection of \$20,375,306 based on historical experience and management judgment regarding expected expense trends.
- Debt service for each test year is projected as the 5 year average of each test period, which includes as applicable subsequent revenue bond proceeds of \$13,155,000 in 2007 (“2007 Bonds”); \$13,150,000 in 2008 (“2008 Bonds”); \$13,155,000 in 2009 (“2009 Bonds”); and \$13,160,000 in 2010 (“2010 Bonds”). Proposed revenue bond proceeds reflect the 5 year capital plan and a balance of BANs and Bonds to produce level bond sales and mitigate dramatic changes in requirements over time.
- Coverage requirements, established as 1.20 times debt service, are projected to increase consistent with projected increases in debt.
- Revenue under existing rates is developed based on the current test year revenues, and assumes indicated increases are implemented January 1 of each subsequent test year. Based on a 5 year average of new customer installations, growth of 900 residential accounts per year is assumed. No changes are anticipated during the study period for non-operating income, operating revenue not subject to rate increase, or the Boone & Florence settlement and early termination payment.
- Revenue increases required to meet test year revenue requirements are shown in Table E, and range from 4.0% to 5.86% during the study period.
- Table F shows the annual incremental changes across the elements of Table E for each test year.

Cost of Service Allocations and Water Rates for Subsequent Test Years

- Revenue requirements identified for each subsequent test year are allocated on the distribution of current test year revenue requirements.
- Rates are designed to increase proportionately in the subsequent test years based on the current test year cost of service rate design and the increase required to meet each year’s revenue requirements. Proposed rates are shown in Table G.

Schedule E
Revenue Requirements for Subsequent Test Years

Line No.		2005 (a)	2006	2007	2008	2009
1	OPERATION & MAINTENANCE	\$20,375,306	\$21,190,318	\$22,037,931	\$22,919,448	\$23,836,226
2	DEBT SERVICE	12,541,807	13,298,361	14,422,828	15,551,344	16,679,856
3	DEPRECIATION	5,328,876	5,461,298	5,898,104	6,154,693	6,022,115
4	DEBT SERVICE COVERAGE	<u>2,458,361</u>	<u>2,659,672</u>	<u>2,884,566</u>	<u>3,110,269</u>	<u>3,335,971</u>
5	TOTAL REVENUE REQUIREMENTS	40,704,350	42,609,649	45,243,429	47,735,755	49,874,169
6	LESS: OPERATING REVENUES NOT SUBJECT TO RATE INCREASE	(1,873,546)	(1,873,546)	(1,873,546)	(1,873,546)	(1,873,546)
7	LESS: NON-OPERATING INCOME	(952,600)	(952,600)	(952,600)	(952,600)	(952,600)
8	LESS: BOONE & FLORENCE RESERVE AND EARLY TERMINATION	<u>(443,685)</u>	<u>(443,685)</u>	<u>(443,685)</u>	<u>(443,685)</u>	<u>(443,685)</u>
9	NET REVENUE REQUIREMENTS	37,434,519	39,339,818	41,973,598	44,465,924	46,604,338
10	REVENUES AT CURRENT RATES	(34,059,199)	(37,434,519)	(39,339,818)	(41,973,598)	(44,465,924)
11	CUMULATIVE GROWTH IN ACCOUNTS	<u>0</u>	<u>(296,835)</u>	<u>(309,489)</u>	<u>(327,631)</u>	<u>(344,397)</u>
12	NET INCREASE REQUIRED	3,375,320	1,608,464	2,324,291	2,164,695	1,794,017
13	PERCENTAGE INCREASE IN REVENUE	9.91%	4.26%	5.86%	5.12%	4.00%

(a) Reflects January 1 to December 31, 2004 actuals plus known and measureable adjustments

Schedule F
Incremental Revenue Requirements for Subsequent Test Years

Line No.		2006	2007	2008	2009
1	PRIOR TEST YEAR REVENUE REQUIREMENTS	37,434,519	39,339,818	41,973,598	44,465,924
2	CHANGE IN OPERATION & MAINTENANCE EXPENSE	815,012	847,613	881,517	916,778
3	CHANGE IN DEBT SERVICE	756,554	1,124,468	1,128,516	1,128,512
4	CHANGE IN DEPRECIATION	132,422	436,806	256,589	(132,578)
5	CHANGE IN DEBT SERVICE COVERAGE	<u>201,311</u>	<u>224,894</u>	<u>225,703</u>	<u>225,702</u>
6	TOTAL TEST YEAR REVENUE REQUIREMENTS	39,339,818	41,973,598	44,465,924	46,604,338
7	LESS: CHANGE IN OPERATING REVENUES NOT SUBJECT TO RATE INCREASE	0	0	0	0
8	LESS: CHANGE IN NON-OPERATING INCOME	0	0	0	0
9	LESS: CHANGE IN BOONE & FLORENCE RESERVE AND EARLY TERMINATION	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
10	NET REVENUE REQUIREMENTS	39,339,818	41,973,598	44,465,924	46,604,338
11	REVENUES AT CURRENT RATES	(37,731,354)	(39,649,307)	(42,301,229)	(44,810,321)
12	NET INCREASE REQUIRED	1,608,464	2,324,291	2,164,695	1,794,017
13	PERCENTAGE INCREASE IN REVENUE	4.26%	5.86%	5.12%	4.00%

Schedule G
Proposed Rates for Subsequent Test Years

	Effective Jan 1, 2007		Effective Jan 1, 2008	
	Monthly	Quarterly	Monthly	Quarterly
	\$	\$	\$	\$
Service Charge				
5/8"	12.26	17.97	12.98	19.03
3/4"	12.65	18.87	13.39	19.98
1"	13.71	21.55	14.51	22.81
1 1/2"	15.38	25.19	16.28	26.67
2"	19.17	35.01	20.30	37.06
3"	44.74	106.65	47.36	112.90
4"	55.95	133.61	59.23	141.45
6"	82.73	196.68	87.58	208.21
8"	111.48	268.31	118.01	284.04
10"	148.46	350.03	157.16	370.55
Volume Charge				
	\$/ccf	\$/1,000 gal	\$/ccf	\$/1,000 gal
First 15 ccf	2.98	3.99	3.16	4.22
Next 1,635 ccf	2.59	3.46	2.74	3.66
Over 1,650 ccf	2.42	3.23	2.56	3.42
Wholesale	2.02	2.70	2.14	2.86

	Effective Jan 1, 2009		Effective Jan 1, 2010	
	Monthly	Quarterly	Monthly	Quarterly
	\$	\$	\$	\$
Service Charge				
5/8"	13.64	20.00	14.19	20.80
3/4"	14.07	21.00	14.64	21.84
1"	15.26	23.98	15.87	24.94
1 1/2"	17.11	28.03	17.80	29.15
2"	21.34	38.96	22.19	40.52
3"	49.79	118.68	51.78	123.43
4"	62.26	148.68	64.75	154.64
6"	92.06	218.87	95.75	227.63
8"	124.05	298.57	129.02	310.53
10"	165.21	389.51	171.82	405.11
Volume Charge				
	\$/ccf	\$/1,000 gal	\$/ccf	\$/1,000 gal
First 15 ccf	3.32	4.44	3.45	4.61
Next 1,635 ccf	2.88	3.85	2.99	4.00
Over 1,650 ccf	2.69	3.60	2.80	3.74
Wholesale	2.25	3.01	2.34	3.13

Introduction

This report was prepared for the Northern Kentucky Water District (the “District”) to summarize the District’s financial planning projections and develop rates for the District’s Water Utility. The specific goals of the study were to:

- Review the District’s projections for revenues under existing rates and projected revenue requirements;
- Allocate Test Year revenue requirements to the various customer classes in accordance with the respective service requirements;
- Develop a suitable schedule of water rates which will produce revenues adequate to meet financial needs on a basis which recognizes customer costs of service, PSC requirements, and local policy considerations; and,
- Identify procedures for equitable management of revenue requirements and associated rates for subsequent test years.

General Background

The District’s Water System consists of three treatment facilities and over 1,000 miles of installed mains. The Fort Thomas Water Treatment Plant (“FTTP”) is the primary source of finished water for the District and is a conventional settling/filtration plant that treats surface water from the Ohio River. The original plant was constructed in 1891, with numerous expansions over the years to improve treatment capability and capacity. The current plant capacity is 44 million gallons per day (“mgd”). The Taylor Mill Water Treatment Plant (“TMTP”) is also a conventional settling/filtration facility with a capacity of 10 mgd. Source water for the Taylor Mill plant is the Licking River. The Taylor Mill plant also serves as a critical pumping facility for the District, taking water produced both at Taylor Mill and Fort Thomas (which flows by gravity to Taylor Mill) and transferring it to the distribution system. The third treatment plant, Memorial Parkway Water Treatment Plant (“MPTP”), came under the District’s operation in June 2002 through the District’s acquisition of the Newport Water Works. The Memorial Parkway facility uses a process of ballasted flocculation to treat water from the Ohio River. MPTP is currently capable of reliably treating 10 mgd.

Following the March 2004 purchase of the Taylor Mill water system, and conversion of those customers from a wholesale to a retail level of service, the District provides services to over 78,000 customers including residential, commercial, and industrial accounts. In addition, the utility currently provides wholesale services to three neighboring communities.

The District is operated and maintained as a self-supporting enterprise. As such, the District's water rates are developed to provide sufficient levels of revenue to meet all operation and maintenance expenses of the system, debt service requirements, routine annual extensions and replacements of capital improvements to be funded from current revenues, and other specific bond ordinance and revenue requirements. Water rates are developed for retail and wholesale customers by determining the total costs of service and service requirements.

Purpose

The purpose of this report is to present a summary of the District's rate case filing, Case No. 2005-00148, before the PSC. The District's case-in-chief will be filed with the PSC on or before May 31, 2005. This report presents a summary of that filing which will be available at the District's offices.

Scope

The rate case filing includes detailed financial summaries of water utility operations and the detailed development of cost of service water rates. This report presents the primary schedules from the filing that presents both the justification of the need for additional revenues and the cost of service analysis used to set proposed rates. Rate calculation details are included in Appendix C of this report. Testimony from the filing has been adapted to report format and supplemented to provide additional information for readers that are not familiar with rate case procedures and cost of service studies.

Revenues and Revenue Requirements

Summary

A summary of the test year revenues and revenue requirements are presented in Schedule 1. The test year is for the period January 1, 2004 through December 31, 2004. Test year revenue requirements are adjusted for known and measurable changes over the study period, including annualizing known salary increases and increases in insurance costs. Revenue requirements include operation and maintenance expense, debt service, depreciation, and debt service coverage. Test year revenue requirements total \$40,704,350.

Schedule 1

Summary of Test Year Revenue Requirements

Line No.			
1	OPERATION & MAINTENANCE	\$20,375,306	Schedule 2
2	DEBT SERVICE	12,541,807	Schedule 3
3	DEPRECIATION	5,328,876	Schedule 4
4	DEBT SERVICE COVERAGE	<u>2,458,361</u>	Schedule 3
5	TOTAL REVENUE REQUIREMENTS	40,704,350	
6	LESS: OPERATING REVENUES NOT SUBJECT TO RATE INCREASE	(1,873,546)	Schedule 5
7	LESS: NON-OPERATING INCOME	(952,600)	Schedule 6
8	LESS: BOONE & FLORENCE RESERVE AND EARLY TERMINATION	<u>(443,685)</u>	Schedule 6
9	NET REVENUE REQUIREMENTS	37,434,519	
10	REVENUES AT CURRENT RATES	<u>(34,059,199)</u>	Schedule 7
11	NET INCREASE REQUIRED	3,375,320	
12	PERCENTAGE INCREASE IN REVENUE	9.91%	

Test year revenues include water sales revenues, other operating revenues that are not subject to the rate increase, and non-operating revenues. In addition, because the rate adjustment approved by the PSC under Case No. 2003-00224 (“2003 Order”) became effective in August 2004, water sale revenues have been adjusted to reflect a full year of the rate adjustment. Additionally, the conversion of Taylor Mill from a wholesale to a retail customer, which began in April 2004, resulted in increased revenues as the customers from the Taylor Mill system converted to a retail rate structure. Water sales revenues have been adjusted to reflect a full year of the retail sales rate structure. Finally, analysis of water consumption and climatological data indicated rainfall in 2004 was abnormally high, which has the effect of reducing water consumption, primarily for the residential class. Residential consumption has been normalized for the current test year based on average consumption from 2000 to 2002, prior to the abnormally high rainfall levels. As indicated in Schedule 1, test year revenues from the sale of water total \$34,059,199. In order to meet test year revenue requirements, water sales revenues must be increased by \$3,375,320, an increase of 9.91 percent over test year water sales revenues.

Revenue Requirements

Operation and Maintenance Expense Projections

Schedule 2 summarizes the District’s test year operation and maintenance expense. Initial test year operation and maintenance expense totals \$19,949,359.

Schedule 2

Test Year Operation and Maintenance Expense

Line No.		
	UNADJUSTED TEST YEAR OPERATION AND MAINTENANCE EXPENSE	
1	Operation and Maintenance Expense - per Books	19,949,359
	ADJUSTMENTS FOR KNOWN AND MEASURABLE CHANGES	
2	Salary, Wage & FICA Increases @ 0.5%	43,240
3	Rate Case Amortization	41,384
4	Pension & Benefit Increases @ 16.7%	341,323
5	Total Adjustments for Known and Measurable	425,947
6	Total Test Year Operation and Maintenance Expense	20,375,306

Test year operation and maintenance expense is adjusted for known and measurable changes for the study period. These adjustments include increases related to 2005 salary increases and benefits (primarily health and pension) expenses. In addition,

per the 2002 Order, an adjustment for amortization of the 2005 Rate Case is included. Known and measurable adjustments for the test year total \$425,947. The resulting test year operation and maintenance expense is \$20,375,306.

Debt Service

The revenue requirement for debt service consists of the average debt service for the five-year period beginning January 1, 2005 and is shown on Schedule 3.

**Schedule 3
Debt Service**

Line No.	Year	Existing Bonds	2006 Bonds (estimated)		Total Bonded	Note Payable	Total (a)
		Total Debt Service	Interest	Principal	Debt	Taylor Mill	
1	2005	\$10,851,980	797,500		\$11,649,480	\$250,000	\$11,899,480
2	2006	10,868,344	1,595,000	0	12,463,344	250,000	12,713,344
3	2007	10,853,608	1,595,000	0	12,448,608	250,000	12,698,608
4	2008	10,854,051	1,595,000	0	12,449,051	250,000	12,699,051
5	2009	10,853,551	1,595,000	0	12,448,551	250,000	12,698,551
Average 2005 to 2009					12,291,807	250,000	12,541,807
Debt Service Coverage @ 20%					2,458,361	0	2,458,361

(a) Represents required deposits during year (accrued basis).

Debt service includes the debt service on the District’s existing revenue bonds (Series 1997 through 2004), the proposed 2006 Bonds (“2006 Bonds”) and the 14 year note payable related to the purchase of Taylor Mill water assets in March 2004. The average debt service for the five-year period totals \$12,541,807.

The District proposes to issue \$29,000,000 of bonds tentatively scheduled for sale in February 2006. The 2006 Bonds are needed to help finance \$21,510,000 of new project improvements, and to retire the 2004 Note of \$3,650,000 used to purchase the Central Facility.

Depreciation Expense

The District annually makes water system extensions and replacements from revenues. The test year revenue requirement for depreciation totals \$5,328,876 and is shown on Schedule 4. A depreciation study is currently being conducted to evaluate depreciation practices of the utility.

**Schedule 4
Depreciation Expense**

Line No.	Plant Account	12/31/04 Depreciation	Change in Current Assets	Test Year Total
		\$	\$	\$
Source of Supply & Pumping				
1	Land & Land Rights	0	0	0
2	Structures & Improvements	269,426	1,582	271,007
3	Lake River & Other Intakes	77,488	(0)	77,488
4	Supply Mains	23,312	0	23,312
5	Pumping Equipment	381,934	5,815	387,750
6	Total	752,159	7,397	759,556
Water Treatment Plant				
7	Land & Land Rights	0	0	0
8	Structures & Improvements	804,794	(10,228)	794,565
9	Water Treatment Equipment	421,478	(30,424)	391,054
10	Total	1,226,272	(40,653)	1,185,619
Transmission & Distribution				
11	Land & Land Rights	0	0	0
12	Structures & Improvements	200,346	2,876	203,222
13	Distribution Reservoirs & Standpipes	133,504	250	133,754
14	Transmission & Distribution Mains	1,139,203	94,413	1,233,616
15	Transmission & Distribution Services	375,998	15,736	391,734
16	Meters & Meter Installation	152,590	5,272	157,862
17	Hydrants	86,660	4,483	91,143
18	Other Plant & Misc. Equipment	220,126	105,877	326,003
19	Total	2,308,427	228,907	2,537,333
General Plant				
20	Land & Land Rights	0	0	0
21	Structures & Improvements	323,967	35,536	359,503
22	Office Equipment	226,866	(13,785)	213,080
23	Transportation Equipment	226,860	(12,163)	214,697
24	Tools, Shop & Garage Equipment	3,569	(221)	3,348
25	Power Operated Equipment	33,680	3,369	37,049
26	Other Tangible Plant	25,064	(6,373)	18,691
27	Total	840,005	6,362	846,368
28	Total Depreciation Expense	5,126,863	202,013	5,328,876

Revenue Projections

The District finances its activities primarily through user charges for water service provided to the customers of the Utility and connection charges for new meters and services as new customers connect to the system. Income is also generated through a variety of other miscellaneous revenue sources. A summary of the current water rates is included as Appendix A.

Revenues Not Subject to Rate Increase

The District receives operating revenues that are not subject to the rate increase. These revenues include charges for services such as forfeited discounts, turning meters on, rents from property, and surcharge revenues. Schedule 5 shows that the test year operating revenues not subject to a rate increase total \$1,873,546.

Schedule 5 Revenues Not Subject to Rate Increase

Line No.	Forfeited Discounts	Rents from Property	Turn On Fees	Private Fire Protection ^(a)	Surcharge Revenues	Total
1 Test Year	\$621,870	\$452,661	\$258,818	\$58,730	\$481,467	\$1,873,546

(a) Used to credit public fire protection costs.

Non-Operating Income

The District also receives revenues that are classified as non-operating revenues. These revenues include gains or losses on the disposition of property, interest income, and other miscellaneous revenues. The Boone & Florence settlement reserve and early termination payment are also considered non-operating income. In accordance with the 2002 Order, the amounts of Boone & Florence settlement and the early termination payment included in this rate case have been amortized over 10 years. Schedule 6 shows that the test year non-operating revenues total \$1,396,285.

**Schedule 6
Non-Operating Income**

Line No.	Misc. Income	Boone & Florence		Interest Income	Total
		Reserve	Early Termination ^(a)		
1 2004	\$161,195	\$375,101	\$68,584	\$791,405	\$1,396,285

(a) The Boone/Florence early termination penalty payment was recorded as \$685,842 in 2002. In accordance with PSC Order 2002-0105, the penalty payment is amortized over 10 years.

Water Sales Revenues

Water sales revenues include revenue from the actual sale of water. Known and measurable adjustments included in Schedule 7 are the conversion of Taylor Mill to retail service, normalization of billable water usage resulting from abnormally high rainfall in 2004, and the rate adjustment approved in the 2003 Order. In addition, revenues from new customers due to the extension of service and system growth are also included as a revenue adjustment.

**Schedule 7
Test Year Revenues under Existing Rates**

Line No.		Metered Sales		Bulk	Total
		Retail	Wholesale		
1	2004	\$29,915,559	\$952,550	\$5,081	\$30,873,190
2	Plus Taylor Mill conversion to retail ^(a)	611,109	(206,668)	0	404,441
3	Plus Volume Normalization ^(b)	1,820,339			1,820,339
4	Plus New Connections ^(c)	296,835	0	0	296,835
5	Plus Prior Rate Increase ^(d)	632,245	32,150	0	664,395
6	Test Year	33,276,086	778,032	5,081	34,059,199

- (a) Adjustment to reflect Taylor Mill becoming a retail customer of the District beginning in April 2004.
- (b) Adjustment to normalize for abnormally low billable water usage due to rainy weather in 2004.
- (c) Extensions are expected to result in approximately 900 new connections.
- (d) Adjustment for Rate Increase approved in PSC Order 2003-00224.

Cost of Service Allocations

The total revenue requirements to be derived from charges for water service are synonymous with, and are the definition of, the total cost of service. In developing equitable rate structures, revenue requirements are allocable to the various customer classifications according to service rendered. Allocations of these requirements to customer classes should take into account the quantity of water use, relative peak capacity requirements placed on the system, the number and size of services to customers, proprietary interest in the system investment, and other relevant factors. The cost of service methodology used in the preparation of this rate study follows the guidelines of the American Water Works Association (“AWWA”)¹ except where compliance with the 2002 Order is required.

Cost of Service to be Allocated

The cost of service considered for allocation to customer classes consists of the total revenue requirements for the test year less income received from charges not subject to the rate case increase and non-operating revenues. The test year cost of service totaling \$40,704,350 consists of \$20,375,306 of operating expense, \$5,328,876 of depreciation expense, \$12,541,807 for debt service, and \$2,458,361 for debt service coverage. The development of the cost of service to be allocated is shown in Schedule 8.

Schedule 8 Revenue Requirements

Line No.		
	Total Revenue Requirement	
1	Total Revenue Requirement	\$40,704,350
2	Less: Non-Operating Income	(952,600)
3	Less: Private Fire Protection Revenues	(58,730)
4	Less: Boone & Florence Reserve and Early Termination	(443,685)
5	Less: Other Revenues Not Subject to Rate Increase	<u>(1,814,816)</u>
6	Total Revenue Required from Water Sales	37,434,519
	Operation & Maintenance Expense from Water Sales Revenues	
7	Operation & Maintenance Expense	20,375,306
8	Less: Non-Operating Income	(98,797)
9	Less: Private Fire Protection Revenues	(58,730)
10	Less: Other Revenues Not Subject to Rate Increase	<u>(1,814,816)</u>
11	Net Operation & Maintenance Expense	18,402,963
	Capital Costs	
12	Depreciation Expense	5,328,876
13	Debt Service	12,541,807
14	Debt Service Coverage	2,458,361
15	Less: Non-Operating Income	(853,803)
16	Less: Boone & Florence Reserve and Early Termination	<u>(443,685)</u>
17	Net Capital Costs	19,031,556

¹ *Principles of Water Rates, Fees, & Charges – MI Manual*, American Water Works, 5th Edition, 2000.

Cash Basis/Utility Basis

There are two general methods commonly utilized to define revenue requirements for municipal utilities: the *cash basis* and the *utility basis*. The cash basis requirements are those that have been discussed in the previous section and include operation and maintenance expense, reserve fund deposits, and cash requirements necessary to support capital investment in the utility, such as debt service and revenue financed capital. Under the utility basis the operation and maintenance element remains the same as determined in the cash basis. The difference between the two bases is in the determination of capital costs. With the utility basis approach, capital costs are defined in terms of two elements: depreciation expense and return on rate base.

Depreciation is the loss, not restored by current maintenance, which occurs in plant due to decay, inadequacy, and obsolescence. Depreciation accounting is usually based on annual percentage allowances of plant investment by type of plant adequate to return the investment during the useful life of the facility. The total annual depreciation allowance is not customarily accrued as a cash reserve, but is used to meet principal payments for long-term debt or is reinvested in extensions, replacements, and additions to plant facilities. Unless an amount equal to annual depreciation expense is reinvested in the system or is accrued for future investment, the original investment is gradually depleted.

The utility basis recognizes a return on investment made in facilities to provide utility service as an appropriate revenue requirement to be recovered from utility rates. Return on utility rate base is defined as the balance of the total cost of service to be derived from rates for capital costs over and above the allowance for depreciation. In order to keep a system “whole”, the return on investment should be positive. Negative returns indicate a gradual depletion of assets. Positive returns allow for investment in improvements and/or expansions.

The total revenue requirements to be recovered from utility rates are the same under either the cash or utility basis. The difference is in how capital costs are stated and allocated to customers. The PSC allows non-profit rate petitioners, such as water districts, to claim operation and maintenance expense, depreciation expense, debt service, and debt service coverage when using the cash-basis approach to determine revenue requirements.

Return on Equity

Other capital costs, or debt service in this rate case, may be expressed in terms of the percentage return on net plant investment. Public Service Commissions set rates so that private utilities can earn a reasonable return on their investment. While this rate case does not use rate of return as an element of the revenue requirement, Schedule 9 is provided to show that, if the District is granted the requested rate increase, then the rate of return that is earned is reasonable. Schedule 9 shows that the overall pro forma return on utility plant assuming the requested rates is 7.60 percent. The return on equity in the water system is 12.49 percent. The rate of return of 7.60 percent is only slightly higher than the District's embedded cost of debt and is considered less than a reasonable rate of return for a privately owned utility.

Schedule 9 Return on Utility Plant and Return on Equity

Line No.					
Return on Utility Plant					
1	Net Depreciated Plant		\$205,274,916		
2	Less: Contribution in Aid of Construction		<u>(40,195,514)</u>		
3	Net Plant		165,079,402		
Pro Forma Operating Revenues					
Revenues					
4	Operating Revenue Not Subject to Rate Increase		1,873,546		
5	Non-Operating Revenue		952,600		
6	Boone & Florence Reserve and Early Termination		443,685		
7	Revenues at Current Rates		34,059,199		
8	Increased Revenue with Requested Rate Increase		<u>3,375,320</u>		
9	Total Pro Forma Revenue		40,704,350		
10	Less: Operation & Maintenance Expense		(20,375,306)		
11	Less: Depreciation Expense		(5,328,876)		
12	Less: Debt Service Coverage		<u>(2,458,361)</u>		
13	Total Pro Forma Operating Revenue		12,541,807		
14	Pro Forma Return on Utility Plant		7.60%		
Imbedded Interest Rate as of December 31, 2004					
		Principal	Annual Interest	Average Interest Rate	
15	1997 Bonds	7,080,000	316,990	4.48%	
16	1998 Bonds	10,045,000	480,836	4.79%	
17	2001 Bonds	15,565,000	733,100	4.71%	
18	SubDistrict C	2,220,000	111,000	5.00%	
19	2002A Bonds	44,790,000	2,176,540	4.86%	
20	2002B Bonds	9,585,000	356,706	3.72%	
21	2003A Bonds	1,580,000	65,078	4.12%	
22	2003B Bonds	29,445,000	1,039,150	3.53%	
23	2003C Bonds	22,360,000	747,944	3.35%	
24	2004 Bonds	<u>10,455,000</u>	<u>303,323</u>	2.90%	
25	Total Existing Bonds	153,125,000	6,330,667	4.13%	
26	2006 Bonds	<u>29,000,000</u>	<u>1,595,000</u>	<u>5.50%</u>	
27	Total Bonds	182,125,000	7,925,667	4.35%	
Return on Equity					
			Capital Structure	Capital Structure	Cost of Capital
28	Outstanding Principal on Revenue Bonds as of December 31, 2004 (Line 25)	153,125,000	60.10%	4.13% (a)	
29	Net System Equity as of December 31, 2004	<u>101,641,347</u>	<u>39.90%</u>	<u>12.49% (b)</u>	
30	Total	254,766,347	100.00%	7.60% (c)	
	(a) Line 28				
	(b) Calculated				
	(c) Line 14				

Functional Cost Components

The various cost elements of water service are assigned to functional cost components as the first step in the subsequent distribution of the costs of service to customer classes. In this analysis, costs are separated to the basic functional components of Base, Extra Capacity, and Customer Costs (Meters and Billing), and Direct Fire Protection. The separation of costs of service into these principal categories provides the means of further allocating such costs to the customer classes based on the service requirements of each class.

Base costs are those which vary directly with the total quantity of water used, as well as those costs associated with serving customers under average load conditions without the elements necessary to meet water use variations or peak demands. Base costs include operating costs of supply, treatment, pumping and distribution facilities, and a portion of administrative and general costs, as well as capital costs on water plant investment associated with serving customers to the extent required for a constant, or average annual rate of use.

Extra Capacity costs include operating costs incurred due to demands in excess of average load conditions and capital costs for additional plant and system capacity beyond that required for the average rate of use. Maximum Day Extra Capacity costs are incurred in meeting demands in excess of average day requirements. Maximum Hour Extra Capacity costs are incurred in meeting demands in excess of maximum day use.

Customer costs are defined as costs that tend to vary in proportion to the number of customers connected to the system. Customer costs are further classified as: (1) billing related costs, including meter reading, billing, collecting and accounting, and related administrative and general costs, and (2) meter related costs, including maintenance and capital charges associated with meters and services. Direct Fire Protection costs include maintenance and capital-related expenditures associated with public fire hydrants in the retail service area.

Allocation to Cost Components

Each element of cost is allocated to functional cost components on the basis of the parameter or parameters having the most significant influence on the magnitude of that element of cost. The District's Water System is comprised of various facilities; each designed and operated to fulfill a given function. In order to provide adequate service to its customers at all times, the system must be capable of meeting not only volume requirements, but also the maximum rates of demand placed on the system. Because all customers do not exert maximum demand at the same time, capacities of the various

system components are required to meet the maximum coincidental demand of all classes of customers. The capacities of certain facilities, such as the water treatment plants, are established based on anticipated maximum day system demands. Other facilities, such as distribution mains, must have the capacities to meet maximum hour demands.

The two types of capacity requirements result in different ratios of maximum capacity to average demand. The maximum day demands can be expected to amount to as much as 157.4 percent of average day demand levels. On this basis, 63.5 percent of the capacity of facilities designed to meet maximum day demands is required for average or base use and the remaining 36.5 percent is required for maximum day extra capacity demands. Similarly, maximum hour demands can be expected to amount to 236.1 percent of average day demands. Therefore, of the capacity of facilities designed to meet maximum hour demands, 42.4 percent is required for average rates of use, 24.3 percent is required to meet maximum day extra capacity requirements, and 33.3 percent is required to meet maximum hour extra capacity requirements.

Allocation of Depreciation Expense

The allocation of depreciation expense to functional cost components is shown in Schedule 10. The various items of depreciation expense are allocated to cost components on the same basis as is the investment for the corresponding system element. In accordance with the 2002 Order, water mains with a diameter less than 12 inches have been classified as “distribution” and are allocated on the basis of Base/Maximum Day/Maximum Hour. Transmission mains (12-inches and larger) are allocated on the basis of Base/Maximum Day.

Schedule 10
Allocation of Depreciation Expense

Line No.	Description	Common to All Customers					Distribution System Customers Only(*)					Fire Protection
		Total	Base	Extra Capacity		Metering	Billing	Base	Extra Capacity		Fire Protection	
				Max Day	Max Hour				Max Day	Max Hour		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	Source of Supply & Pumping											
1	Land & Land Rights	0	0									
2	Structures & Improvements	271,007	172,089	98,918								
3	Lake River & Other Intakes	77,488	49,205	28,283								
4	Supply Mains	23,312	14,803	8,509								
5	Pumping Equipment	387,750	246,221	141,529								
6	Total	759,556	482,317	277,239	0	0	0	0	0	0	0	0
	Water Treatment Plant											
7	Land & Land Rights	0	0									
8	Structures & Improvements	794,565	504,549	290,016								
9	Water Treatment Equipment	391,054	248,319	142,735								
10	Total	1,185,619	752,868	432,751	0	0	0	0	0	0	0	0
	Transmission & Distribution											
11	Land & Land Rights	0	0									
12	Structures & Improvements	203,222	39,398	22,636	4,507	55,619	0	30,459	17,457	23,922	9,224	
13	Distribution Reservoirs & Standpipes	133,754	56,712	32,502	44,540							
	Transmission & Distribution Mains											
14	Large Mains	523,762	332,589	191,173								
15	Small Mains	709,855										
16	Transmission & Distribution Services	391,734				391,734			172,495	236,382		
17	Meters & Meter Installation	157,862				157,862						
18	Hydrants	91,143									91,143	
19	Other Plant & Misc. Equipment	326,003	32,081	18,432	3,670	45,289	160,524	24,802	14,215	19,479	7,511	
20	Total	2,537,333	460,779	264,743	52,717	650,503	160,524	356,239	204,167	279,783	107,878	
	General Plant											
21	Land & Land Rights	0	0									
22	Structures & Improvements	359,503	136,019	78,175	4,228	52,171	12,874	28,571	16,374	22,439	8,652	
23	Office Equipment	213,080	80,619	46,335	2,506	30,922	7,631	16,934	9,705	13,300	5,128	
24	Transportation Equipment	214,697	81,230	46,686	2,525	31,157	7,689	17,063	9,779	13,401	5,167	
25	Tools, Shop & Garage Equipment	3,348	1,267	728	39	486	120	266	152	209	81	
26	Power Operated Equipment	37,049	14,018	8,056	436	5,377	1,327	2,944	1,687	2,312	892	
27	Other Tangible Plant & Routine Annual	18,691	7,073	4,064	220	2,712	669	1,485	851	1,167	450	
28	Total	846,368	320,226	184,044	9,954	122,825	30,310	67,263	38,548	52,828	20,370	
29	Total Depreciation Expense	5,328,876	2,016,190	1,158,777	62,671	773,328	190,834	423,502	242,715	332,611	128,248	
30	Distribution	100.0%	37.8%	21.7%	1.2%	14.5%	3.6%	7.9%	4.6%	6.2%	2.4%	

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

Allocation of Net Plant Investment

The estimated net investment in water system facilities is allocated to appropriate cost components as a basis for the further distribution of capital related costs to the cost components as a basis for the further distribution of capital related costs to the various customer classes. Schedule 11 shows the allocation of estimated plant investment serving water customers for the Test Year. The total estimated net plant investment of \$205,274,916 shown on Line 30 represents the estimated Test Year original cost less accumulated depreciation of plant in service, and adjusted for construction work in progress as allowed in the 2002 Order. Line 30 excludes estimated depreciated contributions resulting from Federal and State grants, customers, and other sources.

The allocation of specific items of investment to the cost categories, as shown on Schedule 11, is made on the basis previously described. For example, water supply reservoirs are designed on the basis of average annual, or base, water demands. Other facilities such as the water treatment plants are designed to meet maximum day demands. Still other facilities, such as high service pumping, filtered water storage, and distribution mains, are designed to meet maximum hourly rates of water use. As noted earlier, following the directions of the 2002 Order, the delineation between distribution and transmission mains has been drawn at 12-inches.

The total rate base on which the District may earn a return is the sum of net plant in service (Line 30) plus a working capital allowance, construction work in progress, and capitalized items from annual routine repair and replacement activities, less the book value of contributed capital. These elements of rate base are shown on Lines 31 through 35 of Schedule 11 and are allocated to cost components on the basis of net plant in service.

Allocation of Debt Service and Debt Service Coverage

The allocation of Test Year debt service is shown on Lines 38 through 41 of Schedule 11. In this rate study, debt service is allocated based on net plant investment. Using this approach helps to minimize rate fluctuations to the ratepayer. The debt service coverage requirement is also allocated on the basis of net plant investment.

Schedule 11
Allocation of Net Plant Investment, Debt Service and Debt Service Coverage

Line No.	Description	Common to All Customers				Distribution System Customers Only (*)				Fire Protection
		Total	Base	Max Day	Max Hour	Base	Max Day	Max Hour	Max Hour	
		\$	\$	\$	\$	\$	\$	\$	\$	\$
	Source of Supply & Pumping									
1	Land & Land Rights	29,200	29,200							
2	Structures & Improvements	14,059,455	8,927,754	5,131,701						
3	Lake River & Other Intakes	845,441	536,855	308,586						
4	Supply Mains	1,945,128	1,235,156	709,972						
5	Pumping Equipment	5,604,215	3,538,677	2,045,538						
6	Total	22,483,440	14,287,643	8,195,797	0	0	0	0	0	0
	Water Treatment Plant									
7	Land & Land Rights	72,496	46,035	26,461						
8	Structures & Improvements	29,959,532	19,024,303	10,935,229						
9	Water Treatment Equipment	6,249,173	3,968,225	2,280,948						
10	Total	36,281,201	23,038,563	13,242,638	0	0	0	0	0	0
	Transmission & Distribution									
11	Land & Land Rights	205,403	205,403							
12	Structures & Improvements	5,633,978	1,368,001	781,030	70,079	761,256	0	1,064,719	610,205	836,206
13	Distribution Reservoirs & Standpipes	4,824,579	2,045,621	1,172,373	1,606,585					
14	Transmission & Distribution Mains									
15	Large Mains ^(a)	45,843,911	29,110,884	16,733,027				24,409,061	13,989,156	19,170,325
16	Small Mains	57,568,542								
17	Transmission & Distribution Services	12,562,670				12,562,670				
18	Meters & Meter Installation	4,889,386				4,889,386				
19	Hydrants	3,266,449								3,266,449
20	Other Plant & Miscellaneous Equipment ^(b)	1,904,439	131,114	74,857	6,717	72,962	1,364,455	102,047	58,485	80,146
21	Total	136,699,357	32,861,023	18,761,287	1,683,381	18,286,274	1,364,455	25,575,827	14,657,846	20,086,677
										3,422,587

**Schedule 11 (continued)
Allocation of Net Plant Investment, Debt Service, and Debt Service Coverage**

Line No.	Description	Common to All Customers						Distribution System Customers Only ^(a)					
		Total	Base	Extra Capacity		Metering	Billing	Base	Extra Capacity		Metering	Billing	Fire Protection
				Max Day	Max Hour				Max Day	Max Hour			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
22	General Plant	298,317	107,119	61,353	2,569	27,909	2,082	39,034	22,371	30,656	5,224		
23	Land & Land Rights	8,527,679	3,062,120	1,753,829	73,442	797,791	59,528	1,115,819	639,491	876,339	149,320		
24	Structures & Improvements	383,198	137,599	78,810	3,300	35,849	2,675	50,140	28,736	39,379	6,710		
25	Office Equipment	464,186	166,680	95,466	3,998	43,426	3,240	60,737	34,809	47,702	8,128		
26	Transportation Equipment	7,315	2,627	1,504	63	684	51	957	549	752	128		
27	Tools, Shop & Garage Equipment	107,019	38,428	22,010	922	10,012	747	14,003	8,025	10,998	1,874		
28	Power Operated Equipment	23,204	152	86	4	39	22,787	55	31	43	7		
29	Other Tangible Plant & Routine Annual ^(b)	9,810,918	3,514,725	2,013,058	84,298	915,710	91,110	1,280,745	734,012	1,005,869	171,391		
30	Total	205,274,916	73,701,954	42,212,780	1,767,679	19,201,984	1,455,564	26,856,572	15,391,858	21,092,546	3,593,978		
31	Net Plant Investment	0	0	0	0	0	0	0	0	0	0		
32	Construction Work In Progress	0	0	0	0	0	0	0	0	0	0		
33	Annual Repairs & Replacements	0	0	0	0	0	0	0	0	0	0		
34	Plus: Working Capital	0	0	0	0	0	0	0	0	0	0		
35	Plus: Inventory	0	0	0	0	0	0	0	0	0	0		
35	Less: Contributed Capital	(40,195,514)	0	0	0	0	0	(17,042,898)	(9,767,510)	(13,385,106)	0		
36	Total Plant Investment	165,079,402	73,701,954	42,212,780	1,767,679	19,201,984	1,455,564	9,813,674	5,624,348	7,707,440	3,593,978		
37	Distribution	100.00%	44.65%	25.57%	1.07%	11.63%	0.88%	5.94%	3.41%	4.67%	2.18%		
38	Total Debt Service	12,541,807	5,599,462	3,207,090	134,298	1,458,859	110,586	745,588	427,306	585,568	273,050		
39	Less: Other Revenues	(853,803)	(381,192)	(218,328)	(9,143)	(99,314)	(7,528)	(50,757)	(29,090)	(39,863)	(18,588)		
40	Interest Income	(443,685)	(202,498)	(115,981)	(4,857)	(52,758)	(3,999)	(26,963)	(15,453)	(21,176)	0		
41	Boone & Florence Reserve and Early Termination	11,244,319	5,015,772	2,872,781	120,298	1,306,787	99,059	667,868	382,763	524,529	254,462		
42	Total Adjusted Debt Service	2,458,361	1,097,569	628,632	26,324	285,956	21,676	146,145	83,758	114,779	53,522		
	Debt Service Coverage												

^aThe allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

(a) Where known, CWIP costs associated with Small or Large Mains are allocated directly to either Common-to-All or Distribution System Customers Only.

(b) Amounts allocated directly to billing represent the District's Billing System Replacement Project.

Allocation of Operation and Maintenance Expense

The allocation of operation and maintenance expense to cost functions is shown in Schedule 12. The methodology used to allocate Test Year operation and maintenance expense is similar to that used to allocate depreciation expense and net plant investment. In some instances, expenses are allocated to cost functions on bases which either directly or indirectly influence the magnitude of the expense. In particular, individual components of administrative and general expense are allocated in this manner. For example, employer social security taxes and group hospitalization costs are allocated on total Water Utility salaries and wages. Other components, such as legal and professional services and travel expense are allocated on the subtotal of all other operation and maintenance exclusive of purchased power and chemical expenses. Electric costs are allocated to Base (90 percent) and Max Day (10 percent) because these costs vary with peak electric demands. Flushing costs are primarily incurred because of the need to clean water mains and verify that they are working properly. As such, a portion of flushing costs (75 percent) is allocated to Base and the remainder to Public Fire Protection.

Distribution of Costs to Customer Classes

The total cost responsibility of each class of service may be established by developing unit costs of service for each cost function and assigning those costs to the customer classes based on the respective service requirements of each.

Customer Classification

For the purposes of the rate case, the District customers are separated into different categories. Each class represents a particular type of service requirement and load on the water system with characteristic daily and hourly demands. Included in the customer classes are the retail classifications of Residential, Commercial, Industrial, and Public Authority accounts. All of these customer classes receive full water service. Residential accounts include both single family residences and all types of multi-family residences. Wholesale customers provide their own water distribution systems.

Schedule 12
Allocation of Operation and Maintenance Expense

Line No.	Description	Common to All Customers				Distribution System Customers Only(*)				Public Fire Protection	
		Total	Base	Extra Capacity	Max Hour	Metering	Billing	Base	Extra Capacity		Max Hour
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Source of Supply											
Licking River Pump Station											
1	Labor	997	633	364							
2	Electric Cost	42,104	37,894	4,210							
3	Materials & Supplies	2,393	1,519	874							
4	Contractual Services	12,664	8,042	4,622							
5	Total	58,158	48,088	10,070	0	0	0	0	0	0	0
Ohio River Pump Station #1											
6	Labor	7,000	4,445	2,555							
7	Electric Cost	521,942	469,748	52,194							
8	Materials & Supplies	9,600	6,096	3,504							
9	Contractual Services	20,034	12,722	7,312							
10	All Other Expenses	0									
11	Total	558,577	493,012	65,565	0	0	0	0	0	0	0
Ohio River Pump Station #2											
12	Labor	4,812	3,056	1,756							
13	Electric Cost	48,240	43,416	4,824							
14	Materials & Supplies	6,934	4,403	2,531							
15	Contractual Services	5,588	3,548	2,040							
16	All Other Expenses	0									
17	Total	65,574	54,423	11,151	0	0	0	0	0	0	0
18	Total Source of Supply	682,309	595,522	86,787	0	0	0	0	0	0	0
Water Quality and Production											
Fort Thomas Treatment Plant											
19	Labor & Labor-Related Expenses	1,211,673	769,413	442,260							
20	Electric Cost	71,251	64,126	7,125							
21	Chemicals & Gas	579,060	579,060								
22	Materials & Supplies	80,405	51,057	29,348							
23	Contractual Services	155,030	98,444	56,586							
24	Insurance	98,407	98,407								
25	All Other Expenses	22,995	14,602	8,393							
26	Total	2,218,820	1,675,108	543,712	0	0	0	0	0	0	0

Schedule 12 (continued)
Allocation of Operation and Maintenance Expense

Line No.	Description	Common to All Customers				Distribution System Customers Only(*)				Public Fire Protection
		Total	Base	Extra Capacity		Base	Extra Capacity		Max Hour	
				Max Day	Max Hour		Max Day	Max Hour		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Taylor Mill Treatment Plant										
27	Labor & Labor-Related Expenses	331,707	210,634	121,073						
28	Chemicals & Gas	140,787	140,787							
29	Materials & Supplies	43,368	27,539	15,829						
30	Contractual Services	169,899	107,886	62,013						
31	Insurance	27,057	27,057							
32	All Other Expenses	1,189	755	434						
33	Total	714,006	514,657	199,349	0	0	0	0	0	0
Memorial Parkway Treatment Plant										
34	Labor & Labor-Related Expenses	475,219	301,764	173,455						
34	Electric Cost	64,999	58,499	6,500						
35	Chemicals & Gas	207,778	207,778							
36	Materials & Supplies	42,497	26,986	15,511						
37	Contractual Services	81,024	51,450	29,574						
38	Insurance	33,851	33,851							
39	All Other Expenses	3,521	2,236	1,285						
40	Total	908,890	682,565	226,325	0	0	0	0	0	0
Laboratory										
41	Labor & Labor-Related Expenses	493,653	493,653							
42	Chemicals & Gas	0	0							
43	Materials & Supplies	87,596	87,596							
44	Contractual Services	87,824	87,824							
45	Insurance	11,061	11,061							
46	All Other Expenses	4,481	4,481							
47	Total	684,615	684,615	0	0	0	0	0	0	0
Instrumentation										
48	Labor & Labor-Related Expenses	241,491	153,347	88,144						
49	Materials & Supplies	31,979	20,307	11,672						
50	Contractual Services	6,394	4,060	2,334						
51	Insurance	3,951	3,951							
52	All Other Expenses	9,621	6,109	3,512						

Schedule 12 (continued)
Allocation of Operation and Maintenance Expense

Line No.	Description	Common to All Customers				Distribution System Customers Only(*)			
		Total	Base	Max Day	Max Hour	Base	Max Day	Max Hour	Public Fire Protection
		\$	\$	\$	\$	\$	\$	\$	\$
54	Sludge								
	Labor & Labor-Related Expenses	163	163						
55	Chemicals & Gas	7,275	7,275						
56	Materials & Supplies	39,293	39,293						
57	Contractual Services	368,927	368,927						
58	Insurance	0	0						
59	All Other Expenses	16	16						
60	Total	415,675	415,675	0	0	0	0	0	0
61	Total Water Quality and Production	5,235,443	4,160,395	1,075,048	0	0	0	0	0
	Pumping and Storage								
	Booster Stations								
62	Labor & Labor-Related Expenses	254	161	93					
63	Electric Cost	655,458	589,912	65,546					
64	Chemicals & Gas	2,950	2,950						
65	Materials & Supplies	4,190	2,661	1,529					
66	Contractual Services	5,942	3,773	2,169					
67	Total	668,795	599,457	69,337	0	0	0	0	0
	Taylor Mill Plant Station								
68	Labor & Labor-Related Expenses	0	0	0					
69	Electric Cost	264,688	238,219	26,469					
70	Materials & Supplies	0	0	0					
71	Contractual Services	0	0	0					
72	Total	264,688	238,219	26,469	0	0	0	0	0
	Water Towers								
73	Labor & Labor-Related Expenses	0	0	0					
74	Electric Cost	5,969	2,530	1,451	1,988				
75	Materials & Supplies	24	10	6	8				
76	Contractual Services	401,690	170,316	97,611	133,763				
77	Total	407,684	172,857	99,068	135,759	0	0	0	0
	Pumping - General								
78	Labor & Labor-Related Expenses	475,535	301,965	173,570					
79	Electric Cost	3,698	3,328	370					

Schedule 12 (continued)
Allocation of Operation and Maintenance Expense

Line No.	Description	Common to All Customers				Distribution System Customers Only(*)			
		Total	Base	Extra Capacity	Max Hour	Base	Extra Capacity	Max Day	Max Hour
		\$	\$	\$	\$	\$	\$	\$	\$
80	Chemicals & Gas	5,134	5,134						
81	Materials & Supplies	89,331	56,725	32,606					
82	Contractual Services	196,255	124,622	71,633					
83	Insurance	43,568	43,568						
84	All Other Expenses	19,275	12,240	7,035					
85	Total	832,795	547,581	285,214	0	0	0	0	0
86	Total Pumping and Storage	2,173,961	1,558,114	480,088	135,759	0	0	0	0
	Engineering and Distribution								
	Engineering								
87	Labor - Operations	336,577	142,709	81,788	112,080				
88	Labor - Clerk	56,612	24,003	13,757	18,852				
89	Labor - Operations Supervision	289,992	122,957	70,468	96,567				
90	Vacation/Paid time Off	0	0	0	0				
91	Sick Leave	0	0	0	0				
92	Holiday	0	0	0	0				
93	Labor - Cleaning & Lining	12,504	5,302	3,038	4,164				
94	Labor - Structure & Impr.	0	0	0	0				
95	Labor - Maintenance of Mains	210	89	51	70				
96	Labor - Newport	0	0	0	0				
97	FICA Taxes	61,829	26,216	15,024	20,589				
98	Pension	74,545	31,607	18,114	24,824				
99	Health Insurance	152,443	64,636	37,044	50,763				
100	Education/ Recreation	15,253	6,467	3,707	5,079				
101	Misc. Benefits	0	0	0	0				
102	Materials & Supplies - Eng.	4,202	1,782	1,021	1,399				
103	Materials & Supplies - Shop/Tools	6,565	2,784	1,595	2,186				
104	Materials & Supplies - Safety	1,416	600	344	472				
105	Materials & Supplies - Struct & Impr.	108	46	26	36				
106	Contract Engineering - Ops.	65,894	27,939	16,012	21,943				
107	Contract Engineering - Maint.	2,919	1,238	709	972				
108	Contract Serv. - Legal	22,765	9,652	5,532	7,581				
109	Contract Serv. Other - Ops.	50,813	21,544	12,348	16,921				
110	Communications	15,878	15,878						
111	Utilities	9,053	9,053						

Schedule 12 (continued)
Allocation of Operation and Maintenance Expense

Line No.	Description	Common to All Customers						Distribution System Customers Only(*)					
		Total	Base		Extra Capacity		Metering	Billing	Base	Extra Capacity		Public Fire Protection	
			\$		\$	Max Hour				Max Day	Max Hour		Max Day
112	Contract Serv. Other - Maint.	359	152	87	120								
113	Contract Serv. - Struct. & Impr.	2,797	1,186	680	931								
114	Auto Gas & Oil	15,731	15,731										
115	Vehicle Maint. - Contractors	529	225	128	176								
116	Vehicle Maint. - Supplies	3,864	1,638	939	1,287								
117	Insurance - Auto	8,284	3,512	2,013	2,759								
118	Insurance - G/L	46,374	19,663	11,269	15,442								
119	Insurance - Workers Comp.	22,391	9,494	5,441	7,456								
120	Miscellaneous Expenses	922	391	224	307								
121	Uniforms	3,204	1,358	779	1,067								
122	Total	1,284,032	567,851	302,138	414,043	0	0	0	0	0	0	0	0
Distribution													
123	Labor - Operations	55,982	23,769					32,214					
124	Labor - Clerk	55,198	55,198										
125	Labor - Vehicle Maint.	66,904	28,367	16,258	22,279								
126	Labor - Tractor/ Compressor	0	0	0	0								
127	Labor - Grounds Maint.	0	0										
128	Labor - Maint. Supervision	218,022	47,473	27,208	37,285	(298)	0	40,774	23,368	32,023	10,189		
129	Labor - Structure & Impr.	0	0					0					
130	Labor - Maint. of Mains	855,440	153,995	88,257	120,945			208,711	119,615	163,917			
131	Labor - Maint. of Services	212,309	90,019	51,591	70,699								
132	Labor - Maint. of Meters	(1,552)				(1,552)							
133	Labor - Maint. of Hydrants	52,988									52,988		
134	Labor - Maint. Of Misc. Plant	931	395	226	310								
135	Labor - Newport	35	15	8	12								
136	Labor - Mainline Cleaning & Lining	13,630	2,453	1,406	1,927			3,326	1,906	2,612			
137	Sick Leave	110,821	29,097	13,398	18,360	(134)	0	20,646	10,495	14,383	4,576		
138	Holiday	0	0	0	0	0	0	0	0	0	0		
134	Vacation/Paid Time Off	0	0	0	0	0	0	0	0	0	0		
139	FICA Taxes	122,620	32,194	14,824	20,314	(148)	0	22,845	11,613	15,914	5,064		
140	Pension	153,603	40,330	18,570	25,447	(186)	0	28,617	14,547	19,935	6,343		
141	Misc. Benefits	89	22	11	15	0	0	17	8	12	4		
142	Health Insurance	363,004	95,311	43,885	60,139	(439)	0	67,629	34,378	47,111	14,990		
143	Education/Recreation	5,772	1,516	698	956	(7)	0	1,075	547	749	238		

Schedule 12 (continued)
Allocation of Operation and Maintenance Expense

Line No.	Description	Common to All Customers						Distribution System Customers Only(*)					
		Total	Base		Extra Capacity		Metering	Billing	Base	Extra Capacity		Public Fire Protection	
			\$		\$					\$			\$
144	Materials & Supplies - Office	7,994		7,994									
145	Materials & Supplies - Shop & Tools	47,867		47,867									
146	Materials & Supplies - Safety	18,120		18,120									
147	Materials & Supplies - Computer	0		0									
148	Materials & Supplies - Struct. & Impr.	2,885		1,225				1,660					
149	Materials & Supplies - Maint of Mains	324,290		58,380				79,120				62,139	
150	Materials & Supplies - Services	173,051				173,051							
151	Materials & Supplies - Meters	3,763				3,763							
152	Materials & Supplies - Hydrants	45,221											
153	Materials & Supplies - Maint of Misc. Plant	5,316		2,254				1,292					
154	Materials & Supplies - Cleaning & Linning	55,275		23,436		18,407		13,432					
155	Inventory Adjustment	(20,054)		(20,054)									
156	Contract Serv. - Engineering	6,366		6,366				1,547					
157	Contract Serv. Other - Ops.	13,846		5,870		4,611		3,365					
158	Communications	11,217		11,217									
159	Utilities	23,351		23,351									
160	Contract Computer Svc.	0		0									
161	Contract Serv. Other - Maint.	1,966		1,966									
162	Contract Serv. - Grounds Maint.	3,191		3,191									
163	Contract Serv. - Struct. & Impr.	4,523		815				467				867	
164	Contract Serv. - Maint. of Mains	305,048		54,915				31,472				58,452	
165	Contract Serv. - Contractors	53,347		22,619				12,963					
166	Contract Serv. - Maint. of Hydrants	2,431										2,431	
167	Contract Serv. - Maint. of Misc. Plant	1,333		565				324					
168	Contract Serv. - Blow Off Charges	83,407		83,407									
169	Contract Serv. - Main Clean & Linning	793,157		142,784				81,831				151,982	
170	Auto Gas & Oil	71,230		71,230				112,139					
171	Vehicle Maint. - Contractors	27,560		27,560									
172	Vehicle Maint - Supplies	44,214		44,214									
173	Tractor/Compressor Gas & Oil	8,367		8,367									
174	Tractor/Compressor Maint. - Contractors	4,259		4,259									
175	Tractor/Compressor Maint. - Supplies	8,237		8,237									
176	Insurance - Auto	27,613		27,613									
177	Insurance - G/L	46,374		46,374									



Schedule 12 (continued)
Allocation of Operation and Maintenance Expense

Line No.	Description	Common to All Customers						Distribution System Customers Only ^(*)					
		Total	Base	Extra Capacity		Metering	Billing	Base	Extra Capacity		Public Fire Protection		
				Max Day	Max Hour				Max Day	Max Hour			
178	Insurance - Workers Comp.	\$ 42,148	\$ 11,094	\$ 5,099	\$ 6,987	\$ (51)	\$ 0	\$ 7,835	\$ 3,977	\$ 5,450	\$ 1,757		
179	Miscellaneous Expenses	45	19	11	15								
180	Uniforms	9,302	3,944	2,260	3,098								
181	Total	4,542,056	1,345,685	463,860	635,661	173,999	0	783,513	419,991	575,546	143,800		
182	Total Engineering and Distribution	5,826,088	1,913,537	765,998	1,049,704	173,999	0	783,513	419,991	575,546	143,800		
	Customer Service												
	Meter Reading												
183	Labor & Labor-Related Expenses	266,062					266,062						
184	Materials & Supplies	6,107					6,107						
185	Contractual Services	8,455					8,455						
186	Insurance	15,663					15,663						
187	All Other Expenses	12,863					12,863						
188	Total	309,150	0	0	0	0	309,150	0	0	0	0		
	Field Service												
189	Labor & Labor-Related Expenses	634,736					634,736						
190	Materials & Supplies	12,804					12,804						
191	Contractual Services	3,715					3,715						
192	Insurance	17,900					17,900						
193	All Other Expenses	39,180					39,180						
194	Total	708,335	0	0	0	0	708,335	0	0	0	0		
	Account Service												
195	Labor & Labor-Related Expenses	924,478					924,478						
196	Materials & Supplies	156,208					156,208						
197	Contractual Services	241,898					241,898						
198	Insurance	22,391					22,391						
199	All Other Expenses	6,745					6,745						
	Total	1,351,720	0	0	0	0	1,351,720	0	0	0	0		
	Flushing												
200	Labor & Labor-Related Expenses	272,838	204,628								68,210		
201	Materials & Supplies	8,364	6,273								2,091		
202	Contractual Services	2,875	2,156								719		
203	Insurance	8,950	6,713								2,237		
204	All Other Expenses	16,549	12,412								4,137		
205	Total	309,577	232,182	0	0	0	0	0	0	0	77,395		

Schedule 12 (continued)
Allocation of Operation and Maintenance Expense

Line No.	Description	Common to All Customers						Distribution System Customers Only(*)				Public Fire Protection	
		Total	Base	Extra Capacity		Metering	Billing	Base	Extra Capacity		Protection		
				Max Day	Max Hour				Max Day	Max Hour			
206	Customer Service - General												
207	Insurance	23,187	12,148	4,492	2,362	347	0	1,564	838	1,149	287		
208	Bad Debt	431,210	225,919	83,535	43,927	6,458	0	29,082	15,589	21,363	5,337		
209	All Other Expenses	69,205	36,258	13,406	7,050	1,037	0	4,667	2,502	3,428	857		
210	Total	523,601	274,324	101,433	53,339	7,842	0	35,313	18,929	25,940	6,481		
211	Courier & Maintenance Labor												
212	Labor & Labor-Related Expenses	52,597					52,597						
213	Materials & Supplies	108					108						
214	Insurance	920					920						
215	All Other Expenses	2,011					2,011						
216	Total	55,635					55,635						
217	Meter Shop												
218	Labor & Labor-Related Expenses	220,484				220,484							
219	Materials & Supplies	45,528				45,528							
220	Contractual Services	10,980				10,980							
221	Insurance	8,950				8,950							
222	All Other Expenses	4,672				4,672							
223	Total	290,614				290,614							
224	Total Customer Service	3,548,632	506,506	101,433	53,339	298,456	2,424,841	35,313	18,929	25,940	83,876		
225	Administration												
226	Executive Management												
227	Labor & Labor-Related Expenses	495,412	186,126	79,282	41,876	12,811	110,497	25,058	12,738	17,456	9,568		
228	Materials & Supplies	6,621	2,878	1,027	540	206	1,059	357	192	263	99		
229	Contractual Services	15,770	6,857	2,446	1,286	491	2,521	851	456	625	237		
230	Insurance	4,872	2,118	756	397	152	779	263	141	193	73		
231	All Other Expenses	15,853	6,890	2,459	1,293	494	2,535	856	459	629	238		
232	Total	538,528	204,869	85,970	45,392	14,154	117,391	27,385	13,986	19,166	10,215		
233	Accounting/HR/Info Systems/Safety												
234	Labor & Labor-Related Expenses	847,604	368,475	131,448	69,123	26,405	135,520	45,763	24,530	33,616	12,724		
235	Materials & Supplies	71,896	31,255	11,150	5,863	2,240	11,495	3,882	2,081	2,851	1,079		
236	Contractual Services	373,135	162,211	57,866	30,430	11,624	59,659	20,146	10,799	14,798	5,602		
237	Insurance	16,726	7,272	2,594	1,364	521	2,674	903	484	663	251		
238	All Other Expenses	9,520	4,138	1,476	776	297	1,522	514	276	378	143		
239	Total	1,318,881	573,351	204,534	107,556	41,087	210,870	71,208	38,170	52,306	19,799		

Schedule 12 (continued)
Allocation of Operation and Maintenance Expense

Line No.	Description	Common to All Customers						Distribution System Customers Only ^(*)					
		Total	Base	Max Day	Max Hour	Metering	Billing	Base	Max Day	Max Hour	Extra Capacity	Public Fire Protection	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	Board of Commissioners												
235	Labor & Labor-Related Expenses	95,533	41,531	14,815	7,791	2,976	15,274	5,158	2,765	3,789	1,434		
236	Insurance	23,200	10,086	3,598	1,892	723	3,709	1,253	671	920	348		
237	All Other Expenses	3,931	1,709	610	321	122	628	212	114	156	59		
238	Total	122,664	53,326	19,023	10,004	3,821	19,611	6,623	3,550	4,865	1,841		
	Administration - Other												
239	Labor & Labor-Related Expenses	9,111	3,960	1,413	743	284	1,457	492	264	361	137		
240	Materials & Supplies	96,408	41,912	14,951	7,862	3,003	15,414	5,205	2,790	3,824	1,447		
241	Contractual Services	261,952	113,879	40,624	21,362	8,160	41,882	14,143	7,581	10,389	3,932		
242	Insurance	140,522	61,088	21,792	11,460	4,378	22,467	7,587	4,067	5,573	2,110		
243	All Other Expenses	420,807	182,935	65,260	34,317	13,109	67,281	22,720	12,179	16,689	6,317		
244	Total	928,801	403,775	144,040	75,744	28,934	148,501	50,147	26,881	36,836	13,943		
245	Total Administration	2,908,874	1,235,321	453,567	238,696	87,996	496,373	155,363	82,587	113,173	45,798		
246	Total Operation & Maintenance Expense	20,375,306	9,969,394	2,962,921	1,477,498	560,451	2,921,214	974,189	521,507	714,659	273,474		
	Less: Other Income												
247	Other Operating Revenue	(1,814,816)	(1,011,242)	(300,543)	(149,870)	(56,849)	(296,312)	0	0	0	(58,730)		
248	Fire Protection Revenue	(58,730)	0	0	0	0	0	0	0	0	0		
249	Other Non-Operating Revenue	(98,797)	(50,113)	(18,208)	(9,080)	(3,444)	(17,952)	0	0	0	0		
250	Total Adjusted O&M Expense	18,402,963	8,908,039	2,644,170	1,318,548	500,158	2,606,950	974,189	521,507	714,659	214,744		
251	Distribution	100.0%	48.4%	14.4%	7.2%	2.7%	14.2%	5.3%	2.8%	3.9%	1.2%		

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

Units of Service

The number of units of service required by each customer class provides a means for the proportionate distribution of costs previously allocated to respective cost categories. Schedule 13 is a summary of the estimated units of service for the various customer classes.

The cost of service responsibility for Base costs varies with the volume of water used and may be distributed to customer classes on that basis. Extra Capacity costs are those associated with meeting peak rates of water use, and is distributed to customer classes on the basis of the respective class capacity requirements in excess of average rates of use.

Meter costs are those associated with providing meters and service connections. Meter costs are allocated based on the number of equivalent meters. Equivalent meters are based on the relative costs of different sized meters. Customer costs, which consist of billing, collection and accounting costs, are allocated to the various classes on the basis of the number of bills.

Extra Capacity factors are relative estimates that reflect the differing usage characteristics of different customer classes. These factors are expressed as a percentage of average daily use and are intended to show the relative use of the system on maximum days and maximum hours. Non-coincidental maximum day and maximum hour capacity requirements of customer classes provide the basis for distribution of total system extra capacity costs. Estimates of the capacity factors, that is, the ratios of peak demands to average demands, are based upon an analysis of historical patterns of water use of the District and from experience with other waterworks systems. The ratio of non to coincidental demand (diversity factor) for the system is 1.11 which is within the typical range of 1.10 to 1.40 for utilities recommended by AWWA.

Based on billing data for the test year, a bill tabulation analysis was performed as part of this rate study. Provided in Appendix B are graphs that illustrate cumulative water consumption by customer class. As can be seen in the graphs, the consumption pattern for each customer class is similar whether the account is billed monthly or quarterly.

Customer meter requirements are allocated on the basis of the number of equivalent 5/8-inch meters serving each customer class. Customer billing requirements are distributed to classes on the basis of the number of bills for each class of customer. Direct Public Fire Protection requirements are allocated based on the number of 6-inch equivalent public fire connections.

**Schedule 13
Units of Service for Rate Case Year**

Line No.	Customer Class	Total Annual Usage ^(a) ccf	Average Day ccf/d	Maximum Day			Maximum Hour			Total Accounts ^(a)	Number of Bills		Equivalent 5/8 Inch Meters	Equivalent Hydrants
				Capacity Factor %	Total Capacity ccf/d	Extra Capacity ccf/d	Capacity Factor %	Total Capacity ccf/d	Extra Capacity ccf/d		Monthly	Quarterly		
Retail														
Monthly														
1	Residential/Multi Family	227,500	623	182%	1,134	511	300%	1,869	735	2,031	24,369	0	2,098	
2	Commercial	50,700	139	167%	232	93	250%	348	116	42	506	0	102	
3	Industrial	196,800	539	157%	846	307	200%	1,078	232	4	42	0	87	
4	Public Authority	388,100	1,063	157%	1,669	606	200%	2,126	457	20	244	0	234	
5	Total Retail Monthly	863,100	2,365		3,881	1,517		5,421	1,540	2,097	25,161	0	2,521	
Quarterly														
6	Residential/Multi Family	7,495,429	20,535	182%	37,374	16,839	300%	61,605	24,231	71,708	0	286,834	73,362	
7	Commercial	1,884,800	5,164	167%	8,624	3,460	250%	12,910	4,286	4,263	0	17,049	6,869	
8	Industrial	797,100	2,184	157%	3,429	1,245	200%	4,368	939	113	0	451	645	
9	Public Authority	395,600	1,084	160%	1,734	650	250%	2,710	976	440	0	1,760	1,532	
10	Total Retail Quarterly	10,572,929	28,967		51,161	22,194		81,593	30,432	76,523	0	306,094	82,408	
11	Total Retail	11,436,029	31,332		55,042	23,711		87,014	31,972	78,620	25,161	306,094	84,929	
Wholesale														
12	Bullock Pen	106,700	292	157%	458	166	200%	584	126	1	12	0	21	
13	City of Walton	208,800	572	157%	898	326	200%	1,144	246	1	12	0	14	
14	Pendleton County Water District	110,500	303	157%	476	173	200%	606	130	1	12	0	35	
15	Total Wholesale	426,000	1,167		1,832	665		2,334	502	3	36	0	70	
Fire Protection														
16	Public	0	0		0	0		0	0	0	0	0	0	8,272
17	Private	0	0		0	0		0	0	432	0	1,726	0	529
18	Total Fire Protection	0	0		0	0		0	0	432	0	1,726	0	8,801
19	Total System	11,862,029	32,499		56,874	24,376		89,348	32,474	79,054	25,197	307,820	84,999	8,801

(a) Adjusted by hill tabulation adjustment factors for each customer class. Bill tabulation adjustment factor for overall system is 98.4%.



Customer Class Costs of Service

Dividing the total cost allocated to each functional cost component by the total applicable units of service develops unit costs of service. The development of the total unit costs of service for each functional cost component is shown in Schedule 14.

The customer class responsibility for service is obtained by applying the unit costs of service to the number of units for which the customer class is responsible. This process is illustrated in Schedule 15, in which the unit costs of service from Schedule 13 are applied to the customer class units of service from Schedule 14. Individual elements are summed for each customer class to result in the total allocated Test Year cost of service.

**Schedule 14
Unit Costs of Service for Rate Case Year**

Line No.	Customer Class	Total Cost of Service \$	Common to All Customers						Distribution System Customers Only (*)					
			Base Ccf	Max Day Ccf/day	Extra Capacity Ccf/day	Metering Eq. Meters	Billing Bills	Base \$	Max Day \$	Extra Capacity \$	Public Fire Protection Eq. Hydrants			
Number of Units														
1	Retail		11,436,029	23,711	31,972	84,929	331,255	11,436,029	23,711	31,972	0			
2	Wholesale		426,000	665	502	70	36				0			
3	Fire Protection													
4	Public		0	0	0	0	0	0	0	0	8,272			
5	Private		0	0	0	0	1,726	0	0	0	529			
6	Total		11,862,029	24,376	32,474	84,999	333,017	11,436,029	23,711	31,972	8,801			
Costs of Service														
Net Operation and Maintenance Expense														
7	Total Cost	18,402,963	8,908,039	2,644,170	1,318,548	500,158	2,606,950	974,189	521,507	714,659	214,744			
8	Unit Cost - \$/Unit		0.75097	108.47431	40.60319	5.88429	7.82828	0.08519	21.99431	22.35265	24.40009			
Depreciation Expense														
9	Total Cost	5,328,876	2,016,190	1,158,777	62,671	773,328	190,834	423,502	242,715	332,611	128,248			
10	Unit Cost - \$/Unit		0.16997	47.53762	1.92988	9.09811	0.57305	0.03703	10.23639	10.40320	14.57210			
Debt Service														
11	Total Cost	11,244,319	5,015,772	2,872,781	120,298	1,306,787	99,059	667,868	382,763	524,529	254,462			
12	Unit Cost - \$/Unit		0.42284	117.85285	3.70444	15.37418	0.29746	0.05840	16.14285	16.40589	28.91307			
Debt Service Coverage														
13	Total Cost	2,248,864	1,097,569	628,632	26,324	285,956	21,676	146,145	83,758	114,779	53,522			
14	Unit Cost - \$/Unit		0.09253	25.78897	0.81062	3.36424	0.06509	0.01278	3.53245	3.58998	6.08140			
15	Total Unit Cost - \$/unit		1.43631	299.65375	47.04813	33.72082	8.76388	0.19340	51.90600	52.75172	73.96666			
Total Cost of Service - \$														
16	Retail	35,930,985	16,425,702	7,105,090	1,504,223	2,863,869	2,903,077	2,211,703	1,230,743	1,686,578	0			
17	Wholesale	837,432	611,868	199,270	23,618	2,360	315	0	0	0	0			
18	Fire Protections	611,852	0	0	0	0	0	0	0	0	611,852			
19	Public	54,250	0	0	0	0	15,126	0	0	0	39,123			
20	Total Cost of Service	37,434,519	17,037,570	7,304,360	1,527,841	2,866,229	2,918,519	2,211,703	1,230,743	1,686,578	650,976			

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

Schedule 15
Distribution of Costs to Customer Classes

Line No.	Customer Class	Total Cost of Service \$	Common to All Customers						Distribution System Customers Only(*)								
			Base			Metering			Billing			Base			Extra Capacity		
			Ccf	Ccf/day	Max Hour	Eq. Meters	Bills	Ccf	Ccf/day	Max Hour	Eq. Meters	Bills	Ccf	Ccf/day	Max Hour	Eq. Hydrants	Public Fire Protection
	Unit Cost of Service - \$/unit																
1	Retail		1.43631	299.65375	47.04813	33.72082	8.76388	0.19340	51.90600	52.75172	73.96666						
2	Wholesale		1.43631	299.65375	47.04813	33.72082	8.76388	0.19340	51.90600	52.75172	73.96666						
	Retail																
	Monthly Residential/Multi Family																
3	Units of Service		227,500	511	735	2,098	24,369	227,500	511	735	0						
4	Allocated Cost - \$	908,075	326,761	153,123	34,580	70,748	213,567	43,999	26,524	38,773	0						
	Commercial																
6	Units of Service	134,789	50,700	93	116	102	506	50,700	93	116	0						
7	Allocated Cost - \$		72,821	27,868	5,458	3,456	4,435	9,805	4,827	6,119	0						
	Industrial																
8	Units of Service	455,099	196,800	307	232	87	42	196,800	307	232	0						
9	Allocated Cost - \$		282,666	91,994	10,915	2,922	368	38,061	15,935	12,238	0						
	Public Authority																
10	Units of Service	901,169	388,100	606	457	234	244	388,100	606	457	0						
11	Allocated Cost - \$		557,432	181,590	21,501	7,886	2,138	75,059	31,455	24,108	0						
12	Total Retail - Monthly	2,399,132	1,239,680	454,575	72,454	85,012	220,508	166,924	78,741	81,238	0						
	Quarterly Residential/Multi Family																
13	Units of Service		7,495,429	16,839	24,231	73,362	286,834	7,495,429	16,839	24,231	0						
14	Allocated Cost - \$	25,541,135	10,765,778	5,045,869	1,140,024	2,473,823	2,513,778	1,449,591	874,045	1,278,226	0						
	Commercial																
15	Units of Service	5,096,859	1,884,800	3,460	4,286	6,869	17,049	1,884,800	3,460	4,286	0						
16	Allocated Cost - \$		2,707,157	1,036,802	201,648	231,628	149,415	364,520	179,595	226,094	0						
	Industrial																
17	Units of Service	1,856,160	797,100	1,245	939	645	451	797,100	1,245	939	0						
18	Allocated Cost - \$		1,144,883	373,069	44,178	21,761	3,953	154,159	64,623	49,534	0						

**Schedule 15 (continued)
Distribution of Costs to Customer Classes**

Line No.	Customer Class	Total Cost of Service \$	Common to All Customers						Distribution System Customers Only(*)							
			Base Ccf	Max Day Ccf/day	Extra Capacity Ccf/day	Max Hour Ccf/day	Metering Eq. Meters	Billing Bills	Base Ccf	Max Day Ccf/day	Extra Capacity Ccf/day	Max Hour Ccf/day	Public Fire Protection Eq. Hydrants			
	Unit Cost of Service - \$/unit															
1	Retail		1,436,310	299,653,750	47,048,130	33,720,820	8,763,388	0.19340	51,906,600	52,751,172	73,966,666					
2	Wholesale		1,436,310	299,653,750	47,048,130	33,720,820	8,763,388	0.19340	51,906,600	52,751,172	73,966,666					
19	Public Authority															
20	Units of Service		395,600	650	976	1,532	1,760	395,600	650	976	0					
21	Allocated Cost - \$		1,037,701	194,775	45,919	51,645	15,424	76,509	33,739	51,486	0					
21	Total Retail - Quarterly		33,531,855	6,650,515	1,431,769	2,778,857	2,682,570	2,044,779	1,152,002	1,605,340	0					
22	Total Retail		35,930,987	7,105,090	1,504,223	2,863,869	2,903,078	2,211,703	1,230,743	1,686,578	0					
	Wholesale															
23	Units of Service		426,000	665	502	70	36	0	0	0	0					
24	Allocated Cost - \$		837,431	199,270	23,618	2,360	315	0	0	0	0					
	Fire Protection															
25	Units of Service		0	0	0	0	0	0	0	0	8,272					
26	Allocated Cost - \$		611,852	0	0	0	0	0	0	0	611,852					
	Private															
27	Units of Service		0	0	0	0	1,726	0	0	0	529					
28	Allocated Cost - \$		54,249	0	0	0	15,126	0	0	0	39,123					
29	Total Fire Protection		666,101	0	0	0	15,126	0	0	0	650,975					
30	Total System		37,434,519	7,304,360	1,527,841	2,866,229	2,918,519	2,211,703	1,230,743	1,686,578	650,976					

* The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

Proposed Rates

The initial consideration in the derivation of rate schedules for utility service is the establishment of equitable charges to the customers commensurate with the cost of providing that service. While the cost of service allocations to customer classes should not be construed as literal or exact determinations, they offer a guide to the necessity for, and the extent of, rate adjustments. Practical considerations sometimes modify rate adjustments by taking into account additional factors such as the extent of change from previous rate levels, existing contracts, and past local policies and practices.

PSC-Compliant Cost-of-Service Rates

The PSC-compliant cost-of-service rates proposed herein are the same for all retail ratepayers whether they are from Campbell or Kenton County or the City of Newport (i.e., the rates are unified). A summary of the proposed water rates is shown in Schedule 16. The rates for water service include a monthly service charge by meter size and a three-step declining block commodity charge. The service charge consists only of a charge to recover billing and meter related costs; and has no volume allowance in it.

Schedule 16

Proposed Cost of Service Rates

Service Charge	Monthly	Quarterly
	Service Charge	Service Charge
Meter Size		
5/8"	11.76	17.24
3/4"	12.13	18.10
1"	13.15	20.67
1 1/2"	14.75	24.16
2"	18.39	33.58
3"	42.91	102.29
4"	53.66	128.15
6"	79.35	188.64
8"	106.92	257.34
10" and larger	142.39	335.72

Commodity Charges

	Monthly Block	Quarterly Block	
	ccf	ccf	
First	15	45	\$2.86 per ccf
Next	1,635	4,905	\$2.48 per ccf
Over	1,650	4,950	\$2.32 per ccf
Wholesale			\$1.94 per ccf

Revenue Sufficiency

Adequacy of Existing Rates to Meet Cost of Service

Presented in Schedule 17 is a comparison of the allocated cost of service and revenue under existing rates by individual customer class and for the system in total. The last column in the table indicates the approximate adjustment rate levels necessary to recover 100 percent of the allocated costs of service.

Schedule 17

Comparison of Revenues under Existing Rates and Allocated Cost of Service

Line No.	Description	Allocated Cost of Service	Adjusted Cost of Service	Revenue Under Existing Rates	Indicated Percent Change
		\$	\$	\$	%
Retail					
Monthly					
1	Residential/Multi Family	908,075	924,909	818,221	13.04%
2	Commercial	134,789	137,288	121,660	12.85%
3	Industrial	455,099	463,536	425,883	8.84%
4	Public Authority	901,169	917,875	836,361	9.75%
5	Total Retail - Monthly	2,399,132	2,443,608	2,202,125	10.97%
Quarterly					
6	Residential/Multi Family	25,541,135	26,014,625	23,700,663	9.76%
7	Commercial	5,096,859	5,191,346	4,677,054	11.00%
8	Industrial	1,856,160	1,890,570	1,753,065	7.84%
9	Public Authority	1,037,701	1,056,938	956,596	10.49%
10	Total Retail - Quarterly	33,531,855	34,153,480	31,087,378	9.86%
11	Total Retail	35,930,987	36,597,088	33,289,503	9.94%
12	Wholesale	837,431	837,431	769,696	8.80%
Fire Protection^(a)					
13	Public	611,852	0	0	0.00%
14	Private	54,249	0	0	0.00%
15	Total Fire Protection	666,101	0	0	0.00%
16	Total System	37,434,519	37,434,519	34,059,199	9.91%

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

(a) Private fire protection revenues applied as a credit against total fire protection costs.

Comparison of Revenues under Proposed Rates and Allocated Cost of Service

Presented in Schedule 18 is a comparison of Test Year allocated cost of service with revenues generated under cost-of-service water rates. Schedule 18 indicates that, within practical limits, the proposed rates result in the full recovery of allocated cost of service from each customer class.

Schedule 18

Comparison of Revenues under Proposed Rates and Allocated Cost of Service

Line No.		Adjusted Allocated Cost of Service	Projected Revenues Under Proposed Rates	Proposed Revenue As % of Allocated Cost of Service
		\$	\$	%
	Retail			
	Monthly			
1	Residential/Multi Family	924,909	907,400	98.1%
2	Commercial	137,288	135,100	98.4%
3	Industrial	463,536	470,700	101.5%
4	Public Authority	917,875	931,800	101.5%
5	Total Retail - Monthly	2,443,608	2,445,000	100.1%
	Quarterly			
6	Residential/Multi Family ^(a)	26,014,625	25,988,500	99.9%
7	Commercial	5,191,346	5,177,300	99.7%
8	Industrial	1,890,570	1,950,800	103.2%
9	Public Authority	1,056,938	1,060,800	100.4%
10	Total Retail - Quarterly	34,153,480	34,177,400	100.1%
11	Total Retail	36,597,088	36,622,400	100.1%
12	Wholesale	837,431	829,600	99.1%
	Fire Protection			
13	Public	0	0	0.0%
14	Private	0	0	0.0%
15	Total Fire Protection	0	0	0.0%
16	Total System	37,434,519	37,452,000	100.0%

^aThe allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

Typical Bills

Typical bills are shown in Schedule 19. The average residential customer using approximately 18,000 gallons per quarter may expect their average quarterly water bill to increase from \$78.65 under existing rates to \$86.05 under the proposed rates.

Schedule 19

Typical Customer Water Bills under Existing and Proposed Rates

Meter Size	Monthly Usage		Existing Rates	Proposed		
	Ccf	1,000 gallons	\$	Rates \$	Increase \$	Increase %
Monthly						
5/8"	0	0	10.33	11.76	1.43	13.8%
5/8"	3	2	17.35	19.40	2.05	11.8%
5/8"	7	5	27.90	30.86	2.96	10.6%
5/8"	8	6	31.42	34.70	3.28	10.4%
5/8"	13	10	45.49	50.00	4.51	9.9%
5/8"	20	15	61.04	67.18	6.14	10.1%
5/8"	27	20	75.96	83.78	7.82	10.3%
5/8"	40	30	105.75	116.91	11.16	10.6%
5/8"	67	50	165.38	183.22	17.84	10.8%
5/8"	134	100	314.44	348.99	34.55	11.0%
3/4"	40	30	106.10	117.28	11.18	10.5%
3/4"	67	50	165.73	183.59	17.86	10.8%
3/4"	134	100	314.79	349.36	34.57	11.0%
1"	27	20	77.24	85.17	7.93	10.3%
1"	67	50	166.66	184.61	17.95	10.8%
1"	134	100	315.72	350.38	34.66	11.0%
1 1/2"	134	100	317.16	351.98	34.82	11.0%
1 1/2"	334	250	764.32	849.27	84.95	11.1%
1 1/2"	668	500	1,509.58	1,678.08	168.50	11.2%
2"	334	250	767.65	852.91	85.26	11.1%
2"	668	500	1,512.91	1,681.72	168.81	11.2%
2"	1,337	1,000	3,003.47	3,339.38	335.91	11.2%
3"	668	500	1,535.37	1,706.24	170.87	11.1%
3"	1,337	1,000	3,025.93	3,363.90	337.97	11.2%
3"	2,674	2,000	5,853.45	6,515.39	661.94	11.3%
4"	1,337	1,000	3,035.72	3,374.65	338.93	11.2%
4"	2,674	2,000	5,863.24	6,526.14	662.90	11.3%
4"	6,684	5,000	14,204.91	15,830.31	1,625.40	11.4%
6"	2,674	2,000	5,886.64	6,551.83	665.19	11.3%
6"	6,684	5,000	14,228.31	15,856.00	1,627.69	11.4%
6"	13,368	10,000	28,131.07	31,362.93	3,231.86	11.5%
8"	6,684	5,000	14,253.46	15,883.57	1,630.11	11.4%
8"	13,368	10,000	28,156.22	31,390.50	3,234.28	11.5%
8"	26,736	20,000	55,961.79	62,404.40	6,442.61	11.5%
10"	13,368	10,000	28,188.47	31,425.97	3,237.50	11.5%
10"	26,736	20,000	55,994.04	62,439.87	6,445.83	11.5%
10"	66,840	50,000	139,410.69	155,481.52	16,070.83	11.5%

Schedule 19 (continued)
Typical Customer Water Bills under Existing and Proposed Rates

Meter Size	Quarterly Usage		Existing Rates	Proposed		
	Ccf	1,000 gallons	\$	Rates \$	Increase \$	Increase %
Quarterly						
5/8"	0	0	15.37	17.24	1.87	12.2%
5/8"	8	6	36.46	40.18	3.72	10.2%
5/8"	20	15	68.10	74.58	6.48	9.5%
5/8"	24	18	78.65	86.05	7.40	9.4%
5/8"	40	30	120.83	131.93	11.10	9.2%
5/8"	60	45	167.53	183.54	16.01	9.6%
5/8"	80	60	212.24	233.26	21.02	9.9%
5/8"	120	90	301.66	332.71	31.05	10.3%
5/8"	201	150	480.53	531.63	51.10	10.6%
5/8"	401	300	927.69	1,028.92	101.23	10.9%
3/4"	120	90	302.45	333.57	31.12	10.3%
3/4"	201	150	481.32	532.49	51.17	10.6%
3/4"	401	300	928.48	1,029.78	101.30	10.9%
1"	80	60	218.59	236.69	18.10	8.3%
1"	201	150	486.88	535.06	48.18	9.9%
1"	401	300	934.04	1,032.35	98.31	10.5%
1 1/2"	401	300	942.68	1,035.84	93.16	9.9%
1 1/2"	1,003	750	2,284.16	2,527.71	243.55	10.7%
1 1/2"	2,005	1,500	4,519.98	5,014.18	494.20	10.9%
2"	1,003	750	2,347.22	2,537.13	189.91	8.1%
2"	2,005	1,500	4,583.04	5,023.60	440.56	9.6%
2"	4,010	3,000	9,054.66	9,996.52	941.86	10.4%
3"	2,005	1,500	4,606.76	5,092.31	485.55	10.5%
3"	4,010	3,000	9,219.31	10,065.23	845.92	9.2%
3"	8,021	6,000	17,560.97	19,519.72	1,958.75	11.2%
4"	4,010	3,000	9,274.77	10,091.09	816.32	8.8%
4"	8,021	6,000	17,616.43	19,545.58	1,929.15	11.0%
4"	20,052	15,000	42,641.43	47,458.08	4,816.65	11.3%
6"	8,021	6,000	17,679.44	19,606.07	1,926.63	10.9%
6"	20,052	15,000	42,704.44	47,518.57	4,814.13	11.3%
6"	40,104	30,000	84,412.76	94,039.40	9,626.64	11.4%
8"	20,052	15,000	42,776.27	47,587.27	4,811.00	11.2%
8"	40,104	30,000	84,484.59	94,108.09	9,623.50	11.4%
8"	80,208	60,000	167,901.27	187,149.77	19,248.50	11.5%
10"	40,104	30,000	84,177.15	94,186.48	10,009.33	11.9%
10"	80,208	60,000	167,593.83	187,228.15	19,634.32	11.7%
10"	200,521	150,000	417,843.81	466,353.13	48,509.32	11.6%

Appendix A

Existing Rates

Appendix A Existing Rates

The following is a summary of the rates that are currently being charged to Northern Kentucky Water District customers.

Existing Rates

		Effective Aug 1, 2004	
		Monthly	Quarterly
		\$	\$
Service Charge			
	5/8"	10.33	15.37
	3/4"	10.68	16.16
	1"	11.61	18.53
	1 1/2"	13.05	21.72
	2"	16.38	30.36
	3"	38.84	93.42
	4"	48.63	117.14
	6"	72.03	172.60
	8"	97.18	235.61
	10"	129.43	307.44
Volume Charge		\$/ccf	\$/1,000 gal
	First 15 ccf	2.63	3.52
	Next 1,635 ccf	2.23	2.98
	Over 1,650 ccf	2.08	2.78
	Wholesale	1.80	2.41

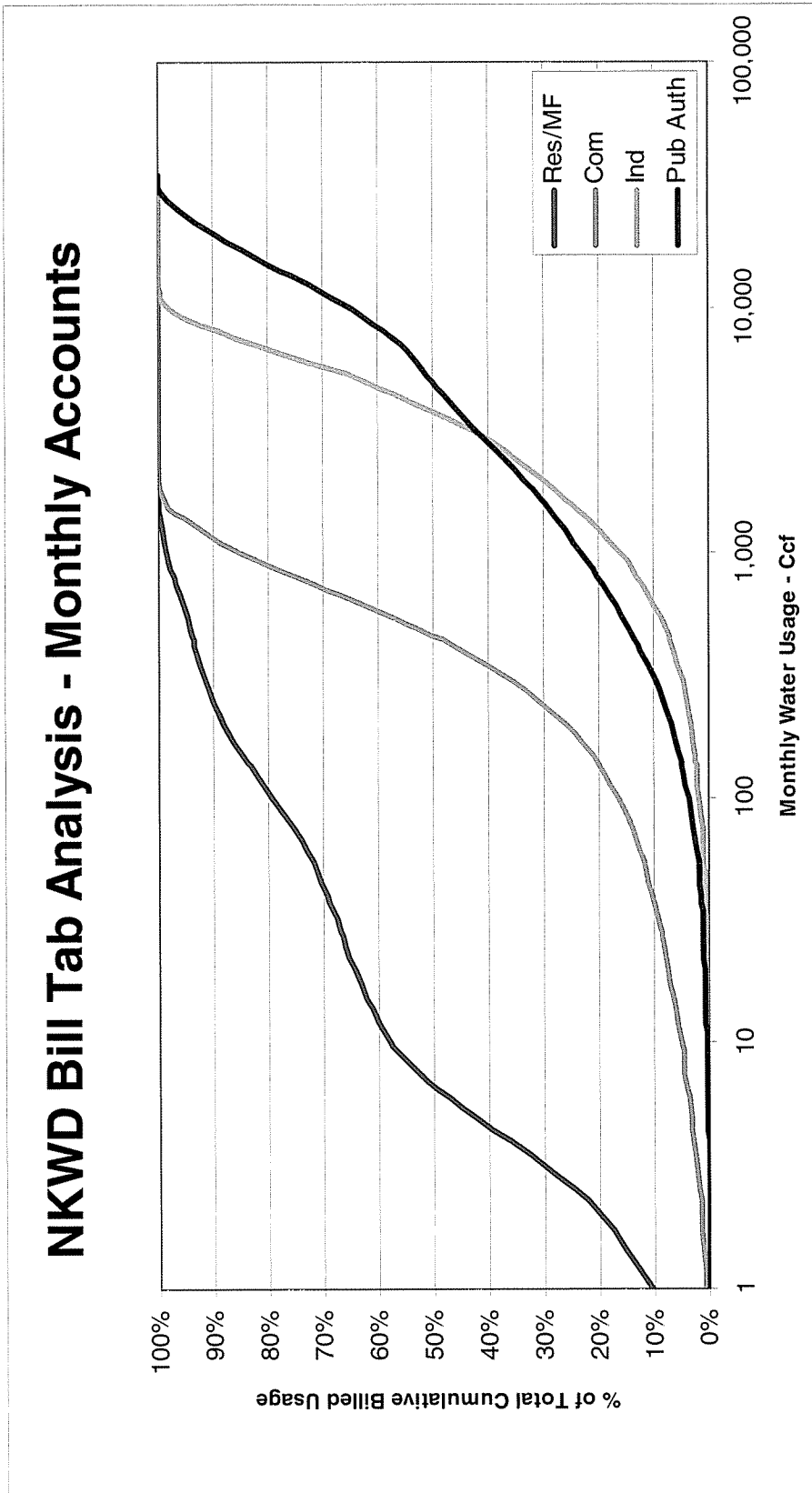
Appendix B

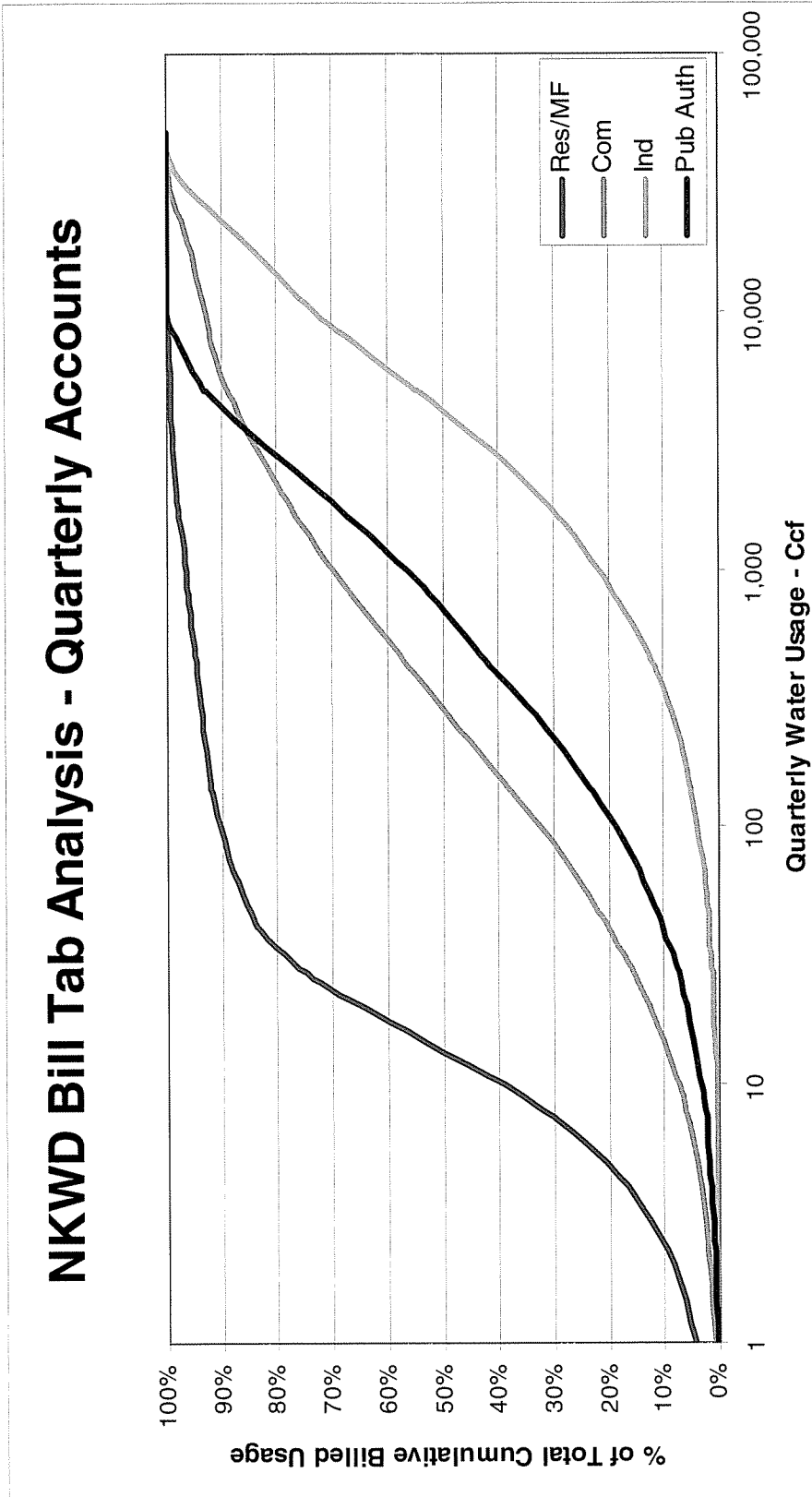
Bill Tabulation Analysis

Appendix B

Bill Tabulation Analysis

The bill tabulation distribution figures that follow show the cumulative billed usage of monthly and quarterly retail water customers compared to the proposed rate block divisions. A declining block rate structure is typically designed such that the first block charge recovers most of the costs of serving domestic or residential customers that usually place the highest peak demands on the water system, with the next block designed to recover most of the costs of serving commercial and other mid-range peak users of the system, and the final block to recover most of the costs of serving industrial and other large users that typically place the smallest peak demands on the water system.





Cumulative Monthly Consumption

	Res/MF	Com	Ind	Pub Auth
0	0.01%	0.00%	0.00%	0.00%
1	10.26%	0.82%	0.02%	0.03%
2	19.93%	1.53%	0.03%	0.08%
3	28.64%	2.18%	0.05%	0.13%
4	36.17%	2.74%	0.07%	0.17%
5	42.33%	3.25%	0.08%	0.21%
6	47.19%	3.70%	0.10%	0.26%
7	50.98%	4.11%	0.12%	0.30%
8	53.85%	4.48%	0.13%	0.34%
9	56.04%	4.81%	0.15%	0.38%
10	57.70%	5.12%	0.16%	0.42%
15	62.20%	6.41%	0.25%	0.62%
20	64.41%	7.46%	0.33%	0.81%
25	65.93%	8.31%	0.41%	1.00%
30	67.12%	9.04%	0.49%	1.18%
40	69.11%	10.24%	0.66%	1.55%
50	70.94%	11.31%	0.82%	1.92%
60	72.71%	12.33%	0.98%	2.29%
75	75.28%	13.83%	1.22%	2.82%
100	79.14%	16.32%	1.62%	3.67%
125	82.23%	18.78%	2.02%	4.47%
150	84.69%	21.19%	2.42%	5.25%
200	88.18%	25.99%	3.22%	6.77%
300	91.53%	35.59%	4.82%	9.73%
400	93.12%	44.72%	6.42%	12.45%
500	94.19%	53.39%	8.02%	14.68%
750	96.67%	71.55%	12.03%	19.21%
1,000	98.45%	84.99%	16.03%	23.07%
1,500	100.00%	97.90%	23.77%	29.03%
1,650	100.00%	98.86%	25.90%	30.47%
2,000	100.00%	100.00%	30.11%	33.48%
2,500	100.00%	100.00%	35.54%	37.43%
3,000	100.00%	100.00%	40.88%	40.91%
5,000	100.00%	100.00%	62.23%	49.82%
6,000	100.00%	100.00%	72.78%	52.81%
7,500	100.00%	100.00%	85.72%	57.29%
10,000	100.00%	100.00%	97.74%	64.75%
12,500	100.00%	100.00%	100.00%	72.21%
15,000	100.00%	100.00%	100.00%	79.67%
20,000	100.00%	100.00%	100.00%	89.68%
25,000	100.00%	100.00%	100.00%	96.02%
30,000	100.00%	100.00%	100.00%	99.68%
35,000	100.00%	100.00%	100.00%	100.00%

Cumulative Quarterly Consumption

	Res/MF	Com	Ind	Pub Auth
0	0.00%	0.00%	0.00%	0.00%
1	4.27%	0.86%	0.05%	0.37%
2	8.48%	1.68%	0.11%	0.72%
3	12.64%	2.47%	0.16%	1.06%
4	16.72%	3.24%	0.21%	1.40%
5	20.73%	3.98%	0.26%	1.72%
6	24.63%	4.69%	0.31%	2.04%
7	28.42%	5.37%	0.37%	2.34%
8	32.08%	6.04%	0.42%	2.64%
9	35.61%	6.68%	0.47%	2.93%
10	39.00%	7.30%	0.52%	3.22%
15	53.77%	10.15%	0.75%	4.58%
20	64.72%	12.65%	0.98%	5.82%
25	72.29%	14.82%	1.19%	6.98%
30	77.32%	16.73%	1.40%	8.07%
40	82.89%	19.99%	1.79%	10.05%
45	84.46%	21.42%	1.97%	10.96%
50	85.62%	22.75%	2.16%	11.81%
75	88.73%	28.27%	3.02%	15.58%
100	90.27%	32.61%	3.85%	18.76%
125	91.28%	36.14%	4.61%	21.55%
150	92.00%	39.07%	5.34%	24.07%
200	92.93%	43.72%	6.68%	28.26%
300	93.96%	50.42%	9.11%	35.19%
400	94.61%	55.24%	11.32%	40.41%
500	95.07%	58.87%	13.40%	44.28%
750	95.90%	65.28%	17.92%	51.00%
1,000	96.53%	69.56%	21.55%	56.41%
1,500	97.49%	75.31%	27.79%	65.18%
2,000	98.14%	79.08%	33.04%	71.74%
3,000	98.84%	83.85%	42.03%	81.86%
4,950	99.37%	88.81%	54.50%	92.87%
5,000	99.38%	88.90%	54.78%	93.00%
7,500	99.73%	91.84%	65.21%	97.48%
10,000	99.94%	92.95%	73.01%	99.90%
20,000	100.00%	96.34%	87.16%	100.00%
30,000	100.00%	99.25%	96.00%	100.00%
40,000	100.00%	100.00%	99.55%	100.00%
50,000	100.00%	100.00%	100.00%	100.00%

Appendix C

Rate Case Calculations

Appendix C

Rate Case Calculations

Presented in the following pages are the detailed calculations used to develop the proposed rates for Case No. 2005-00148.

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 1
SUMMARY OF TEST YEAR REVENUE REQUIREMENTS

Line No.			
1	OPERATION & MAINTENANCE	\$20,375,306	Schedule 2
2	DEBT SERVICE	12,541,807	Schedule 3
3	DEPRECIATION	5,328,876	Schedule 4
4	DEBT SERVICE COVERAGE	<u>2,458,361</u>	Schedule 3
5	TOTAL REVENUE REQUIREMENTS	40,704,350	
6	LESS: OPERATING REVENUES NOT SUBJECT TO RATE INCREASE	(1,873,546)	Schedule 5
7	LESS: NON-OPERATING INCOME	(952,600)	Schedule 6
8	LESS: BOONE & FLORENCE RESERVE AND EARLY TERMINATION	<u>(443,685)</u>	Schedule 6
9	NET REVENUE REQUIREMENTS	37,434,519	
10	REVENUES AT CURRENT RATES	<u>(34,059,199)</u>	Schedule 7
11	NET INCREASE REQUIRED	3,375,320	
12	PERCENTAGE INCREASE IN REVENUE	9.91%	

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

Line
No.

1	UNADJUSTED TEST YEAR OPERATION AND MAINTENANCE EXPENSE Operation and Maintenance Expense - per Books	19,949,359	Schedule 2.1
	ADJUSTMENTS FOR KNOWN AND MEASURABLE CHANGES		
2	Salary, Wage & FICA Increases @ 0.5%	43,240	Schedule 2.2
3	Rate Case Amortization	41,384	Per PSC Order 2002-00105
4	Pension & Benefit Increases @ 16.7%	<u>341,323</u>	Schedule 2.2
5	Total Adjustments for Known and Measurable	425,947	
6	Total Test Year Operation and Maintenance Expense	20,375,306	

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 2.1
DETAIL TEST YEAR OPERATION AND MAINTENANCE EXPENSE

Dept	Account	Description	(1) Unadjusted Test Year	(2) Test Year Adjustments	(3) Adjusted Test Year	
		Fort Thomas Treatment Plant				Fort Thomas Treatment Plant
1	601-3100	Labor - Ops	\$670,746	\$1,497	\$672,243	Labor & Labor-Related Expenses
	601-3101	Labor - Operators Overtime	12,760	28	\$12,788	Salaries 874,439
	601-3102	Labor - Security	32,860	73	\$32,933	FICA 66,581
	601-3103	Labor - Facilities	21,708	48	\$21,757	Health Insurance 165,871
	601-4100	Labor - Maint	134,417	300	\$134,717	Pensions & Other Benefits 104,782
	699-3000	FICA Expense - Ops	49,509	2,538	\$52,048	Electric Cost 71,251
	699-4000	FICA Expense - Maint	13,824	709	\$14,533	Chemicals & Gas 579,060
	604-3300	Pension - Ops	54,449	9,109	\$63,558	Materials & Supplies 80,405
	604-3400	Health Ins - Ops	142,099	23,772	\$165,871	Contractual Services 155,030
	604-3500	Education/Recreation - Ops	18,631	3,117	\$21,748	Insurance 98,407
	604-4300	Pension - Maint	14,600	2,443	\$17,043	All Other Expenses 22,995
	604-4500	Education/Recreation - Maint	2,084	349	\$2,433	
	615-3000	Electric Cost	71,251		\$71,251	2,218,820
	616-3000	Gas Cost	49,800		49,800	
	618-3000	Chemicals	529,259		529,259	
	620-3000	Materials & Supplies - Ops	3,721		3,721	
	620-3001	Office Supplies	9,698		9,698	
	620-3002	Safety Supplies - Ops	1,036		1,036	
	620-4000	Materials & Supplies - Maint	62,513		62,513	
	620-4001	Materials & Supplies - Building	3,437		3,437	
	620-4002	Housekeeping Supplies	28		28	
	620-4003	Safety Supplies - Maint	1,810		1,810	
	631-3000	Contract Serv Eng - Ops	21,283		21,283	
	633-3000	Legal Contractual Services	6,121		6,121	
	635-3001	Contract Serv Other - Ops	20,798		20,798	
	635-3002	Snow Removal	8,638		8,638	
	635-3003	Grounds Keeping	15,595		15,595	
	635-3005	Security	8,379		8,379	
	635-3007	Contract Svc - Antenna Rental	5,592		5,592	
	635-4000	Contract Serv Other - Maint	68,624		68,624	
	650-3000	Transportation Exp - Ops	18,562		18,562	
	650-4000	Transportation Exp - Maint	76		76	
	656-3000	Insurance - Auto	10,125		10,125	
	657-3000	Insurance - G/L	32,451		32,451	
	658-3000	Insurance - Workers Comp	25,351		25,351	
	659-3000	Insurance - Pollution	30,480		30,480	
	675-3002	Uniforms	2,413		2,413	
	675-4000	Misc. Expense - Maint	107		107	
01 Total			2,174,836	43,985	2,218,820	
		Taylor Mill Treatment Plant				Taylor Mill Treatment Plant
2	601-3100	Labor - Ops	\$142,455	318	\$142,773	Labor & Labor-Related Expenses
	601-3101	Labor - Overtime Operators	300	1	\$301	Salaries 255,795
	601-3103	Labor - Facilities	38,558	86	\$38,644	FICA 17,968
	601-4100	Labor - Maint	73,912	165	\$74,077	Health Insurance 41,964
	699-3000	FICA Expense - Ops	10,595	543	\$11,138	Pensions & Other Benefits 15,981
	699-4000	FICA Expense - Facilities	6,497	333	\$6,830	Chemicals & Gas 140,787
	604-3300	Pension - Ops	13,455	2,251	\$15,707	Materials & Supplies 43,368
	604-3400	Health Ins - Ops	35,949	6,014	\$41,964	Contractual Services 169,899
	604-3500	Education/Recreation - Ops	235	39	\$274	Insurance 27,057
	616-3000	Gas Cost	29,931		\$29,931	All Other Expenses 1,189
	618-3000	Chemicals	110,856		110,856	714,006
	620-3000	Materials & Supplies - Ops	3,279		3,279	
	620-4000	Materials & Supplies - Maint	39,176		39,176	
	620-4001	Materials & Supplies - Building	912		912	
	631-3000	Contract Serv Eng - Ops	3,021		3,021	
	635-3001	Contract Serv Other - Ops	28,370		28,370	
	635-3002	Snow Removal	8,639		8,639	
	635-3003	Grounds Keeping	10,962		10,962	
	635-3004	Contract Serv - Carbon Lease	25,513		25,513	
	635-4001	Contract Serv - Painting	39,968		39,968	
	635-4000	Contract Serv Other - Maint	53,426		53,426	
	642-4000	Rental Expense - Maint	383		383	
	656-3000	Insurance - Auto	920		920	
	657-3000	Insurance - G/L	20,868		20,868	
	658-3000	Insurance - Workers Comp	5,268		5,268	
	675-3002	Uniforms	806		806	
02 Total			704,256	9,751	714,006	

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 2.1 CONTINUED
DETAIL TEST YEAR OPERATION AND MAINTENANCE EXPENSE

Dept	Account	Description	(1) Unadjusted Test Year	(2) Test Year Adjustments	(3) Adjusted Test Year		
		Memorial Parkway Treatment Plant				Memorial Parkway Treatment Plant	
29	601-3100	Labor	\$271,942	607	\$272,549	Labor & Labor-Related Expenses	
	601-3101	Labor - Overtime	1,963	4	\$1,967	Salaries	364,113
	601-3103	Labor - Facilities	29,678	66	\$29,744	FICA	24,518
	601-4100	Labor - Maint	59,719	133	\$59,853	Health Insurance	58,293
	699-3000	FICA - Ops	16,519	847	\$17,366	Pensions & Other Benefits	28,295
	699-4000	FICA - Facilities	6,803	349	\$7,152	Electric	64,999
	604-3300	Pension - Ops	21,928	3,668	\$25,597	Chemicals & Gas	207,778
	604-3400	Health Insurance	49,939	8,354	\$58,293	Materials & Supplies	42,497
	604-3500	Education/Recreation	2,311	387	\$2,698	Contractual Services	81,024
	615-3000	Electric Service	64,999		\$64,999	Insurance	33,851
	616-3000	Gas Cost	46,608		46,608	All Other Expenses	<u>3,521</u>
	618-3000	Chemicals	161,170		161,170		908,890
	620-3000	Materials & Supplies	3,055		3,055		
	620-3002	Safety Supplies	2,212		2,212		
	620-4000	Materials & Supplies - Maint	34,336		34,336		
	620-4001	Materials & Supplies - Building	2,263		2,263		
	620-4003	Safety Supplies	310		310		
	620-6000	Materials & supplies MPTP Pumping	321		321		
	635-3001	Contractual Services Other - Ops	2,083		2,083		
	635-3003	Groundskeeping	1,840		1,840		
	635-3004	Safety Training	23,087		23,087		
	635-3005	Contractual Services - Security	12,839		12,839		
	635-3006	Snow Removal	8,636		8,636		
	635-4000	Contractual Services Other - Maint	32,352		32,352		
	635-4001	Contractual Services - Safety - Maint	186		186		
	642-4000	Rental Expense - Maint	60		60		
	650-3000	Transportation Expense - Ops	2,209		2,209		
	650-4000	Transportation Expense - Maint	0		0		
	656-3000	Insurance - Auto	2,761		2,761		
	657-3000	Insurance - G/L	23,187		23,187		
	658-3000	Insurance - Workers Comp	7,903		7,903		
	675-3002	Uniforms	<u>1,253</u>		<u>1,253</u>		
29 Total			894,473	14,417	908,890		
		Laboratory				Laboratory	
3	601-3100	Labor	\$361,860	808	\$362,668	Labor & Labor-Related Expenses	
	699-3000	FICA Taxes	24,991	1,281	\$26,272	Salaries	362,668
	604-3300	Pension	27,931	4,673	\$32,604	FICA	26,272
	604-3400	Health Insurance	51,566	8,627	\$60,192	Health Insurance	60,192
	604-3500	Education/Recreation	10,208	1,708	\$11,916	Pensions & Other Benefits	44,520
	620-3000	Materials & Supplies	83,967		\$83,967	Chemicals & Gas	
	620-3001	Materials & Supplies	3,420		\$3,420	Materials & Supplies	87,596
	620-3006	Safety Supplies	209		209	Contractual Services	87,824
	635-3001	Contract Serv Other - Ops	84,678		84,678	Insurance	11,061
	635-3002	Contract Serv - Research	0		0	All Other Expenses	<u>4,481</u>
	635-4000	Contract Serv Other - Maint	3,146		3,146		684,615
	650-3000	Transportation Expense	3,730		3,730		
	656-3000	Insurance - Auto	1,841		1,841		
	658-3000	Insurance - Workers Comp	9,220		9,220		
	675-3002	Uniforms	<u>752</u>		<u>752</u>		
03 Total			667,518	17,096	684,615		
		Bristow Road Station				Booster Stations	
5	601-6100	Labor				Labor & Labor-Related Expenses	254
	615-5000	Electric Cost	9,270		9,270	Electric Cost	655,458
	620-6000	Materials & Supplies			0	Chemicals & Gas	2,950
	635-6000	Contract Serv Other			<u>0</u>	Materials & Supplies	4,190
05 Total			9,270	0	9,270	Contractual Services	<u>5,942</u>
		Bromley Station					668,795
6	601-6100	Labor					
	615-5000	Electric Cost	24,683		24,683		
	620-6000	Materials & Supplies			0		
	635-6000	Contract Serv Other	<u>1,006</u>		<u>1,006</u>		
06 Total			25,689	0	25,689		

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 2.1 CONTINUED
DETAIL TEST YEAR OPERATION AND MAINTENANCE EXPENSE

Dept	Account	Description	(1) Unadjusted Test Year	(2) Test Year Adjustments	(3) Adjusted Test Year	
Carothers Road Station						
10	601-6100	Labor				
	615-5000	Electric Cost	23,523		23,523	
	616-5000	Gas Cost	1,578		1,578	
	620-6000	Materials & Supplies	4,190		4,190	
	635-6000	Contract Serv Other	10		10	
10 Total			29,301	0	29,301	
Dudley Station						
8	601-6100	Labor	254	1	\$254	
	615-5000	Electric Cost	200,896		200,896	
	620-6000	Materials & Supplies			0	
	635-6000	Contract Serv Other	1,486		1,486	
08 Total			202,636	1	202,636	
Hands Pike Station						
9	601-6100	Labor				
	615-5000	Electric Cost	17,106		17,106	
	620-6000	Materials & Supplies			0	
	635-6000	Contract Serv Other	780		780	
09 Total			17,887	0	17,887	
Latonia Station						
11	601-6100	Labor				
	615-5000	Electric	28,051		28,051	
	616-5000	Gas Cost	492		492	
	620-6000	Materials & Supplies			0	
	635-6000	Contractual Serv Other	642		642	
11 Total			29,185	0	29,185	
West Covington Station						
12	601-6100	Labor			0	
	615-5000	Electric	6,367		6,367	
	620-6000	Materials & Supplies			0	
	635-6000	Contractual Serv. Other	642		642	
12 Total			7,009	0	7,009	
Taylor Mill Plant Station						
14	601-6100	Labor				
	615-5000	Electric	264,688		264,688	
	620-6000	Materials & Supplies			0	
	631-5000	Contract Serv Engineering			0	
	635-6000	Contract Serv. Other			0	
14 Total			264,688	0	264,688	
Licking River Pump Station						
15	601-2100	Labor	994	2	\$997	
	615-1000	Electric Cost	42,104		42,104	
	620-1000	Materials and Supplies - Ops			0	
	620-2000	Materials and Supplies - Maint	2,393		2,393	
	635-1000	Contractual Services - Ops	40		40	
	635-2000	Contractual Services - Maint.	12,624		12,624	
15 Total			58,156	2	58,158	
Waterworks Station						
16	601-6100	Labor				
	615-5000	Electric	26,729		26,729	
	616-5000	Gas	880		880	
	620-6000	Materials & Supplies			0	
	635-6000	Contract Serv Other	654		654	
16 Total			28,262	0	28,262	
Richardson Road Station						
17	601-6100	Labor				
	615-5000	Electric	131,080		131,080	
	620-6000	Materials & Supplies			0	
	635-6000	Contract Serv Other	722		722	
17 Total			131,802	0	131,802	
Ripple Creek Station						
18	601-6100	Labor			0	
	615-5000	Electric	16,050		16,050	
	620-6000	Materials & Supplies			0	
	631-5000	Contract Serv. Engineering			0	
	635-6000	Contract Serv Other			0	
18 Total			16,050	0	16,050	
Instrumentation						
20	601-4100	Labor	173,833	388	\$174,221	
	699-4000	FICA Tax	11,859	608	\$12,467	
	604-4300	Pension	18,661	3,122	\$21,783	
	604-4400	Health Insurance	22,459	3,757	\$26,217	
	604-4500	Education/Recreation	5,829	975	\$6,804	
	620-3000	Materials & Supplies - Ops	5,383		\$5,383	
	620-4000	Materials & Supplies - Maint.	26,596		26,596	
	635-3000	Contract Service Other - Ops.	4,527		4,527	
	635-4000	Contract Service Other - Maint.	1,867		1,867	
	650-3000	Transportation Exp. - Ops	8,746		8,746	
	650-4000	Transportation Exp. - Ops	79		79	
	658-3000	Insurance - Workers Comp	3,951		3,951	
	675-3002	Uniforms	796		796	
20 Total			284,587	8,850	293,437	
Taylor Mill Plant Station						
		Labor & Labor-Related Expense			0	
		Electric Cost			264,688	
		Materials & Supplies			0	
		Contractual Services			0	
					264,688	
Licking River Pump Station						
		Labor			997	
		Electric Cost			42,104	
		Materials & Supplies			2,393	
		Contractual Services			12,664	
					58,158	
Instrumentation						
		Labor & Labor-Related Expenses				
		Salaries			174,221	
		FICA			12,467	
		Health Insurance			26,217	
		Pensions & Other Benefits			28,587	
		Materials & Supplies			31,979	
		Contractual Services			6,394	
		Insurance			3,951	
		All Other Expenses			9,621	
					293,437	

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 2.1 CONTINUED
DETAIL TEST YEAR OPERATION AND MAINTENANCE EXPENSE

Dept	Account	Description	(1)	(2)	(3)		
			Unadjusted Test Year	Test Year Adjustments	Adjusted Test Year		
		Sludge				Sludge	
22	601-3101	Labor	151	0	\$152	Labor & Labor-Related Expenses	
	699-3001	FICA Tax	11	1	\$12	Salaries	152
	601-3400	Sick Leave		0	0	FICA	12
	601-3500	Holiday		0	0	Health Insurance	
	604-3300	Pension		0	0	Pensions & Other Benefits	0
	604-3700	Misc Benefits		0	0	Chemicals & Gas	7,275
	618-3000	Chemicals	7,275		7,275	Materials & Supplies	39,293
	620-3000	Materials & Supplies	39,293		39,293	Contractual Services	368,927
	620-3002	Uniforms	16		16	Insurance	0
	631-3000	Contract Serv Engineering	2,395		2,395	All Other Expenses	16
	635-3000	Contract Serv - FTTP Hauling	86,042		86,042		415,675
	635-3001	Contract Serv - TMTP Hauling	1,994		1,994		
	635-3003	TMTP Discharge to Sanitary	278,497		278,497		
22 Total			415,674	1	415,675		
	US 27 Station						
24	601-6100	Labor					
	615-5000	Electric	171,704		171,704		
	620-6000	Materials & Supplies			0		
	631-5000	Contract Serv Engineering			0		
	635-6000	Contract Serv Other			0		
24 Total			171,704	0	171,704		
	Source of Supply - General					Source of Supply - General	
25	601-2100	Labor			0	Labor	\$0
	610-1000	Water Purchased - Newport, Ky			0	Purchased Water (Newport)	0
	615-1000	Electric Cost - Newport Pump Station			0	Electric Cost - Newport PS	0
	618-1000	Chemicals			0	Chemicals	0
	635-1000	Contract Svc. Other - Ops			0	Contractual Services	0
	635-2000	Contractual Services			0	All Other Expenses	0
25 Total			0	0	0		
	Pumping - General					Pumping - General	
25	601-6100	Labor	328,311	733	\$329,044	Labor & Labor-Related Expenses	
	699-6000	FICA Taxes	22,720	1,165	\$23,885	Salaries	329,044
	699-6001	FICA Taxes - Carothers Rd	121	6	\$127	FICA	24,012
	604-6300	Pension	30,781	5,149	\$35,930	Health Insurance	84,802
	604-6400	Health Insurance	72,648	12,154	\$84,802	Pensions & Other Benefits	37,676
	604-6500	Education/Recreation	1,496	250	\$1,746	Electric Cost	3,698
	615-5000	Electric	3,698		3,698	Chemicals & Gas	5,134
	618-6000	Chemicals	5,134		5,134	Materials & Supplies	89,331
	620-5001	Safety Supplies	3,449		3,449	Contractual Services	196,255
	620-6000	Materials & Supplies - Maint	74,874		74,874	Insurance	43,368
	620-6001	Mat. & Supp. - Oil & Lubrication	8,624		8,624	All Other Expenses	19,275
	620-6002	Materials & Supplies - Regulators	2,384		2,384		832,795
	635-5000	Contract Serv Other - Ops	62,974		62,974		
	635-5001	Annual Maint. Contract - Cinery	0		0		
	635-5003	Grounds Keeping - Pumping	24,995		24,995		
	635-5004	Contract Serv Pumping - Safety Training	10,110		10,110		
	635-6000	Contract Serv Other - Maint	93,686		93,686		
	635-6001	Contract Serv - Painting	4,490		4,490		
	650-5000	Transportation Exp. - Ops	11,536		11,536		
	650-6000	Transportation Exp. - Maint	2,495		2,495		
	656-5000	Insurance - Auto	5,523		5,523		
	657-5000	Insurance - G/L	30,143		30,143		
	658-5000	Insurance - Workers Comp	7,903		7,903		
	675-5000	Miscellaneous Expenses	2,400		2,400		
	675-5002	Uniforms - Pumping	2,844		2,844		
25 Total			813,338	19,457	832,795		
	Ohio River Pump Station #1					Ohio River Pump Station #1	
26	601-2100	Labor	6,985	16	\$7,000	Labor	7,000
	615-1000	Electric Cost	521,942		\$521,942	Electric Cost	521,942
	620-2000	Materials and Supplies - Maint.	9,600		\$9,600	Materials & Supplies	9,600
	631-1000	Eng. Cost - Ohio River Station	11,755		11,755	Contractual Services	20,034
	635-1000	Contractual Services - Ops	774		774	All Other Expenses	0
	635-2000	Contractual Services - Maint.	7,506		7,506		558,577
	675-1000	Misc. Expense - Ops			0		
26 Total			558,561	16	558,577		
	Ohio River Pump Station #2					Ohio River Pump Station #2	
101	601-2100	Labor	4,801	11	\$4,812	Labor	4,812
	615-1000	Electric Cost	48,240		48,240	Electric Cost	48,240
	620-1000	Materials and Supplies - Ops			0	Materials & Supplies	6,934
	620-2000	Materials and Supplies - Maint.	6,934		6,934	Contractual Services	5,588
	635-1000	Contractual Services - Ops			0	All Other Expenses	0
	635-2000	Contractual Services - Maint.	5,588		5,588		65,574
	675-1000	Misc. Expense - Ops			0		
101 Total			65,563	11	65,574		
	Water Towers					Water Towers	
27	601-6100	Labor	0		0	Labor & Labor-Related Expense	0
	615-5000	Electric	5,969		5,969	Electric Cost	5,969
	620-6000	Materials & Supplies	24		24	Materials & Supplies	24
	635-6000	Contract Serv Other	10,943		10,943	Contractual Services	401,690
	635-6001	Contract Serv Water Tower Painting	390,747		390,747	All Other Expenses	0
	675-5002	Uniforms			0		407,684
27 Total			407,684	0	407,684		
	Engineering						
30	601-5101	Labor - Operations	335,827	750	\$336,577		
	601-5102	Labor - Clerk	56,486	126	\$56,612		
	601-5103	Labor - Operations Supervision	289,346	646	\$289,992		
	601-5104	Labor - Cleaning & Lining	12,476	28	\$12,504		
	601-5300	Vacation/Paid time Off			\$0		
	601-5400	Sick Leave			\$0		
	601-5500	Holiday			\$0		
	601-6103	Labor - Structure & Impr			\$0		
	601-6104	Labor - Maintenance of Mains	209	0	\$210		
	601-6105	Labor - Newport			\$0		
	699-5000	FICA Taxes	58,813	3,015	\$61,829		
	604-5300	Pension	63,861	10,684	\$74,545		
	604-5400	Health Insurance	130,595	21,848	\$152,443		
	604-5500	Education/Recreation	13,067	2,186	\$15,253		
	604-5700	Misc Benefits		0	\$0		

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 2.1 CONTINUED
DETAIL TEST YEAR OPERATION AND MAINTENANCE EXPENSE

Dept	Account	Description	(1)	(2)	(3)
			Unadjusted Test Year	Test Year Adjustments	Adjusted Test Year
Engineering (continued)					
	620-5001	Materials & Supplies - Eng	4,202		4,202
	620-5002	Materials & Supplies - Shop/Tools	6,565		6,565
	620-5003	Materials & Supplies - Safety	1,416		1,416
	620-6001	Materials & Supplies - Struct & Impr	108		108
	631-5000	Contract Engineering - Ops	65,894		65,894
	631-6000	Contract Engineering - Maint	2,919		2,919
	633-5000	Contract Serv. - Legal	22,765		22,765
	635-5001	Contract Serv Other - Ops	50,813		50,813
	635-5002	Communications	15,878		15,878
	635-5003	Utilities	9,053		9,053
	635-6001	Contract Serv Other - Maint	359		359
	635-6002	Contract Serv - Struct. & Impr	2,797		2,797
	650-5001	Auto Gas & Oil	15,731		15,731
	650-5002	Vehicle Maint. - Contractors	529		529
	650-5003	Vehicle Maint - Supplies	3,864		3,864
	656-5000	Insurance - Auto	8,284		8,284
	657-5000	Insurance - G/L	46,374		46,374
	658-5001	Insurance - Workers Comp.	22,391		22,391
	675-5000	Miscellaneous Expenses	922		922
	675-5001	Uniforms	3,204		3,204
30 Total			1,244,749	39,283	1,284,032
Distribution					
31	601-5101	Labor - Operations	55,858	125	\$55,982
32	601-5102	Labor - Clerk	55,075	123	\$55,198
	601-5105	Labor - PTO, Sick, Holiday, Funeral	110,574	247	\$110,821
	601-5500	Holiday		0	\$0
	601-6101	Labor - Vehicle Maint	66,755	149	\$66,904
	601-6102	Labor - Tractor/ Compressor	0	0	\$0
	601-6103	Labor - Grounds Maint	0	0	\$0
	601-6104	Labor - Maint Supervision	217,536	486	\$218,022
	601-6105	Labor - Structure & Impr	0	0	\$0
	601-6106	Labor - Maint of Mains	853,535	1,906	\$855,440
	601-6107	Labor - Maint of Services	211,836	473	\$212,309
	601-6108	Labor - Maint of Meters	(1,548)	(3)	(\$1,552)
	601-6109	Labor - Maint of Hydrants	52,870	118	\$52,988
	601-6110	Labor - Maint. Of Misc Plant	929	2	\$931
	601-6111	Labor - Newport	35	0	\$35
	601-6112	Labor - Mainline Cleaning & Lining	13,600	30	\$13,630
	601-6300	Vacation/Paid Time Off		0	\$0
	699-6000	FICA Taxes	116,639	5,980	\$122,620
	604-5300	Pension	131,589	22,014	\$153,603
	604-5700	Misc Benefits	76	13	\$89
	604-6400	Health Insurance	310,979	52,025	\$363,004
	604-6500	Education/Recreation	4,945	827	\$5,772
	620-5001	Materials & Supplies - Office	7,994		7,994
	620-5002	Materials & Supplies - Shop & Tools	47,867		47,867
	620-5003	Materials & Supplies - Safety	18,120		18,120
	620-5004	Materials & Supplies - Computer			0
	620-6001	Materials & Supplies - Struct. & Impr.	2,885		2,885
	620-6002	Materials & Supplies - Maint of Mains	324,290		324,290
	620-6003	Materials & Supplies - Services	173,051		173,051
	620-6004	Materials & Supplies - Meters	3,763		3,763
	620-6005	Materials & Supplies - Hydrants	45,221		45,221
	620-6006	Materials & Supplies - Maint of Misc Plant	5,316		5,316
	620-6007	Materials & Supplies - Cleaning & Lining	55,275		55,275
	620-6009	Inventory Adjustment	(20,054)		(20,054)
	631-6000	Contract Serv - Engineering	6,366		6,366
	635-5001	Contract Serv Other - Ops	13,846		13,846
	635-5002	Communications	11,217		11,217
	635-5003	Utilities	23,351		23,351
	635-5004	Contract Computer Svc			0
	635-6001	Contract Serv. Other - Maint.	1,966		1,966
	635-6002	Contract Serv - Grounds Maint.	3,191		3,191
	635-6003	Contract Serv - Struct. & Impr	4,523		4,523
	635-6004	Contract Serv - Maint of Mains	305,048		305,048
	635-6005	Contract Serv - Contractors	53,347		53,347
	635-6007	Contractual Other - Distr, Hydrants	2,431		2,431
	635-6008	Contract Serv - Maint. of Misc Plant	1,333		1,333
	635-6009	Contract Serv - Blow Off Charges	83,407		83,407
	635-6012	Contract Serv. - Main Clean & Lining	793,157		793,157
	650-6001	Auto Gas & Oil	71,230		71,230
	650-6002	Vehicle Maint - Contractors	27,560		27,560
	650-6003	Vehicle Maint - Supplies	44,214		44,214
	650-6004	Tractor/Compressor Gas & Oil	8,367		8,367
	650-6005	Tractor/Compressor Maint - Contractors	4,259		4,259
	650-6006	Tractor/Compressor Maint. - Supplies	8,237		8,237
	656-5000	Insurance - Auto	27,613		27,613
	657-5000	Insurance - G/L	46,374		46,374
	658-5001	Insurance - Workers Comp	42,148		42,148
	675-6000	Miscellaneous Expenses	45		45
	675-6001	Uniforms	9,302		9,302
31 Total			4,457,541	84,514	4,542,056

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 2.1 CONTINUED
DETAIL TEST YEAR OPERATION AND MAINTENANCE EXPENSE

Dept	Account	Description	(1)	(2)	(3)	
			Unadjusted Test Year	Test Year Adjustments	Adjusted Test Year	
						Meter Reading
50	Meter Reading					Labor & Labor-Related Expenses
	601-7101	Labor - Meter Reading	143,539	320	\$143,860	Salaries
	601-7103	Meter Change Out Labor	44,509	99	\$44,609	FICA
	601-7104	Labor - Vehicle Maint		0	\$0	Health Insurance
	601-7105	Labor - Meter Reading Newport	(206)	(0)	(\$207)	Pensions & Other Benefits
	601-7300	Vacation/Paid Time Off		0	\$0	Materials & Supplies
	601-7400	Sick Leave		0	\$0	Contractual Services
	699-7000	FICA Taxes	9,312	477	\$9,789	Insurance
	699-7001	FICA Taxes Newport	9	0	\$10	All Other Expenses
	604-7300	Pension	13,728	2,297	\$16,025	
	604-7400	Health Insurance	43,022	7,197	\$50,219	
	604-7500	Education/Recreation	1,505	252	\$1,757	
	604-7700	Miscellaneous Benefits		0	\$0	
	620-7001	Materials & Supplies			0	
	620-7002	Materials & Supplies - Shop & Tools	4,474		4,474	
	620-7003	Materials & Supplies - Ludlow			0	
	620-7004	Materials & Supplies - Safety	1,472		1,472	
	620-7005	Materials & Supplies - Newport	162		162	
	635-7000	Contract Svc - Legal			0	
	635-7001	Contract Svc - Other	8,455		8,455	
	650-7001	Auto Gas & Oil	10,683		10,683	
	650-7002	Vehicle Maint - Contract			0	
	650-7003	Vehicle Maint - Supplies	0		0	
	656-7000	Insurance - Auto	6,443		6,443	
	658-7000	Insurance - Workers Comp	9,220		9,220	
	675-7001	Miscellaneous Expenses	565		565	
	675-7002	Uniforms	1,615		1,615	
50 Total			298,507	10,643	309,150	
	Field Services					Field Services
51	601-7101	Labor - Field	453,916	1,013	\$454,929	Labor & Labor-Related Expenses
	601-7102	Labor - Delinquent Accounts		0	\$0	Salaries
	601-7103	Labor - Vehicle Maintenance		0	\$0	FICA
	601-7104	Labor - Newport		0	\$0	Health Insurance
	601-7300	Vacation/Paid Time Off		0	\$0	Pensions & Other Benefits
	601-7400	Sick Leave		0	\$0	Materials & Supplies
	601-7500	Holiday		0	\$0	Contractual Services
	699-7000	FICA Taxes	31,523	1,616	\$33,139	Insurance
	604-7300	Pension	37,068	6,201	\$43,269	All Other Expenses
	604-7400	Health Insurance	86,749	14,513	\$101,262	
	604-7500	Education/Recreation	1,830	306	\$2,136	
	604-7700	Miscellaneous Benefits		0	0	
	620-7001	Materials & Supplies	680		680	
	620-7002	Materials & Supplies - Shop & Tools	8,456		8,456	
	620-7003	Safety	3,668		3,668	
	635-7001	Communications	3,715		3,715	
	650-7001	Auto Gas & Oil	34,432		34,432	
	650-7002	Contract Maint			0	
	650-7003	Vehicle Maint - Supplies	2,269		2,269	
	656-7000	Insurance - Auto	7,363		7,363	
	658-7000	Insurance - Workers Comp	10,537		10,537	
	675-7001	Miscellaneous Expenses			0	
	675-7002	Uniforms	2,478		2,478	
51 Total			684,685	23,650	708,335	
	Account Service					Account Services
52	601-7101	Labor	650,628	1,453	\$652,080	Labor & Labor-Related Expenses
	601-7101	Labor		0	\$0	Salaries
	601-7102	Labor - Newport		0	\$0	FICA
	601-7300	Vacation/Paid Time Off		0	\$0	Health Insurance
	601-7300	Vacation/Paid time Off		0	\$0	Pensions & Other Benefits
	601-7301	PTO - Newport		0	\$0	Materials & Supplies
	601-7400	Sick Leave		0	\$0	Contractual Services
	601-7400	Sick Leave		0	\$0	Insurance
	601-7500	Holiday		0	\$0	All Other Expenses
	601-7500	Holiday		0	\$0	
	601-7501	Holiday - Newport		0	\$0	
	699-7000	FICA Taxes	44,974	2,306	\$47,280	
	699-7000	FICA Taxes		0	\$0	
	604-7300	Pension	54,297	9,084	\$63,381	
	604-7300	Pension		0	\$0	
	604-7400	Health Insurance	133,288	22,298	\$155,586	
	604-7500	Education/Recreation	5,269	881	\$6,151	
	604-7700	Miscellaneous Benefits		0	\$0	
	620-7001	Materials & Supplies	26,273		\$26,273	
	620-7004	Materials & Supplies	85		85	
	620-7002	Postage	129,850		129,850	
	620-7003	Safety			0	
	635-7001	Contract Serv - Other	179,642		179,642	
	635-7002	Communications	1,820		1,820	
	635-7003	Contract Serv - Sanitation Billing			0	
	635-7005	Temporary Employees - Newport	18,316		18,316	
	635-7006	Contract Serv - CIS	42,120		42,120	
	650-7001	Auto Gas & Oil			0	
	656-7000	Insurance - Auto			0	
	658-7000	Insurance - Workers Comp	22,391		22,391	
	675-7001	Miscellaneous Expenses	5,376		5,376	
	675-7002	Uniforms			0	
	675-7003	Uniforms	1,369		1,369	
52 Total			1,315,698	36,022	1,351,720	

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 2.1 CONTINUED
 DETAIL TEST YEAR OPERATION AND MAINTENANCE EXPENSE

Dept	Account	Description	(1)	(2)	(3)			
			Unadjusted Test Year	Test Year Adjustments	Adjusted Test Year			
53	Flushing					Flushing		
	601-7101	Labor - Flushing	126,581	283	\$126,864	Labor & Labor-Related Expenses		
	601-7102	Labor - Leak Detection	23,497	52	\$23,550	Salaries	179,651	
	601-7103	Labor - Field Service	28,522	64	\$28,586	FICA	16,770	
	601-7104	Labor - Flushing Newport	0	0	\$0	Health Insurance	57,996	
	601-7105	Labor - Leak Detection Newport	650	1	\$652	Pensions & Other Benefits	18,421	
	601-7400	Sick Leave	0	0	\$0	Materials & Supplies	8,364	
	699-7000	FICA Taxes	15,942	817	\$16,759	Contractual Services	2,875	
	699-7001	FICA Taxes Newport	10	1	\$11	Insurance	8,950	
	604-7300	Pension	14,981	2,506	\$17,488	All Other Expenses	16,549	
	604-7400	Health Insurance	49,684	8,312	\$57,996		309,577	
	604-7500	Education/Recreation	799	134	\$933			
	604-7700	Miscellaneous Benefits	0	0	\$0			
	620-7001	Materials & Supplies	0	0	\$0			
	620-7002	Materials & Supplies - Shop & Tools	6,299		6,299			
	620-7003	Materials & Supplies - Leak Detection	271	271	542			
	620-7004	Safety	1,795	1,795	3,590			
	635-7001	Contract Svc. - Other	2,875		2,875			
	635-7002	Communication	0		0			
	650-7001	Auto Gas & Oil	13,810		13,810			
	650-7002	Vehicle Maint. - Contract	0		0			
	650-7003	Vehicle Maint. - Supplies	1,575		1,575			
	656-7000	Insurance - Auto	3,682		3,682			
	658-7000	Insurance - Workers Comp	5,268		5,268			
	675-7001	Miscellaneous Expenses	0		0			
	675-7002	Uniforms	1,164		1,164			
	53 Total			297,407	12,170	309,577		
	54	Customer Service - General					Customer Services - General	
601-7101		Labor - Account Service TM	14,735	33	\$14,768	Insurance	23,187	
601-7105		Labor - Field Svc. TM	14,417	32	\$14,449	Bad Debt	431,210	
699-7001		Fica Taxes - Account Svc. TM	1,039	53	\$1,092	All Other Expenses	69,202	
699-7005		FICA - Field Svc. TM	935	48	\$983		523,601	
620-7001		Promotional Materials & Supplies	820		820			
620-7003		Materials & Supplies - Field Svc. TM	1,118		1,118			
633-7000		Legal Fees - Ops	7,930		7,930			
635-7001		Contract Serv - Building	6,964		6,964			
635-7002		Collections	3,756		3,756			
635-7003		Utilities	9,214		9,214			
635-7010		Communications - Customer Service	7,567		7,567			
657-7000		Insurance - GL	23,187		23,187			
670-7000		Bad Debt Expense	431,210		431,210			
675-7001		Uniforms - Account Svc. TM	200		200			
675-7002		Uniforms - Field Svc. TM	343		343			
54 Total				523,435	166	523,601		
55		Courier & Maintenance Labor					Courier & Maintenance Labor	
		601-7101	Labor - Courier	34,096	76	\$34,172	Labor & Labor-Related Expense	52,597
		699-7000	FICA Taxes - Courier	1,293	66	\$1,359	Materials & Supplies	108
		604-7300	Pension - Courier	2,747	460	\$3,207	Insurance	920
		620-7001	Materials & Supplies - Courier	10,744	1,797	\$12,541	All Other Expenses	2,011
		650-7001	Auto Gas and Oil-Courier	108		\$108		55,635
		656-7000	Auto Insurance - Courier	2,011		\$2,011		
		658-7000	Workers Comp Insurance - Courier	920		\$920		
		675-7002	#N/A	1,317		\$1,317		
				0		\$0		
				53,236	2,399	55,635		
56	Meter Shop					Meter Shop		
	601-7101	Labor - Meter Shop	163,838	366	\$164,204	Labor & Labor-Related Expense	220,484	
	699-7000	FICA - Meter Shop	10,100	518	\$10,618	Materials & Supplies	45,528	
	604-7300	Pension - Meter Shop	11,145	1,864	\$13,009	Contractual Services	10,980	
	604-7400	Health Insurance - Meter Shop	26,274	4,396	\$30,670	Insurance	8,950	
	604-7500	Education/Recreation - Meter Shop	1,700	284	\$1,984	All Other Expenses	4,672	
	620-7001	Material & Supplies - Office	15		\$15		290,614	
	620-7002	Materials & Supplies - Shops & Tools	43,528		43,528			
	620-7003	Safety - Meter Shop	1,985		1,985			
	635-7001	Contract Services - Other	10,980		10,980			
	650-7001	Auto Gas & Oil - Meter Shop	3,390		3,390			
	656-7000	Insurance - Auto Meter Shop	3,682		3,682			
	658-7000	Insurance - Workers Comp.	5,268		5,268			
	675-7002	Uniforms - Meter Shop	1,281		1,281			
			283,186	7,428	290,614			
	72	Executive Management					Executive Management	
		601-8100	Salaries	371,381	829	\$372,210	Labor & Labor-Related Expenses	
		601-8300	Vacaton/Paid Time Off	0	0	\$0	Salaries	372,210
		601-8400	Sick Leave	0	0	\$0	FICA	20,834
601-8500		Holiday	0	0	\$0	Health Insurance	31,663	
699-8000		FICA Taxes	19,818	1,016	\$20,834	Pensions & Other	70,704	
604-8300		Pension	29,524	4,939	\$34,463	Materials & Supplies	6,621	
604-8400		Health Insurance	27,125	4,538	\$31,663	Contractual Services	15,770	
604-8500		Education/Recreation	15,953	2,669	\$18,622	Insurance	4,872	
604-8700		Miscellaneous Benefits	15,095	2,525	\$17,620	All Other Expenses	15,853	
620-8000		Materials & Supplies	6,621		6,621		538,528	
633-8000		Contract Serv -Legal	4,181		4,181			
634-8000		Contract Serv - Mgt. Fees	0		0			
635-8000		Contract Serv - Other	11,889		11,889			
642-8000		Rental Expense	9,367		9,367			
650-8000		Transportation Expense	2,546		2,546			
656-8000		Insurance - Auto	920		920			
658-8000		Insurance - Workers Comp.	3,951		3,951			
675-8000		Miscellaneous Expenses	3,740		3,740			
72 Total				522,012	16,516	538,528		
74		Accounting					Accounting/HR/Info Systems	
	601-8100	Labor	171,051	382	\$171,432	Labor & Labor-Related Expenses		
	601-8300	Vacation/Paid Time Off	0	0	\$0	Salaries	616,341	
	601-8400	Sick Leave	0	0	\$0	FICA	42,344	
	601-8500	Holiday	0	0	\$0	Health Insurance	79,442	
	699-8000	FICA Taxes	12,301	631	\$12,931	Pensions & Other	109,477	
	604-8300	Pension	11,798	1,974	\$13,772	Materials & Supplies	71,896	
	604-8400	Health Insurance	12,218	2,044	\$14,262	Contractual Services	373,135	
	604-8500	Education/Recreation	1,435	240	\$1,675	Insurance	16,726	
	604-8700	Miscellaneous Benefits	94	16	\$110	All Other Expenses	9,520	
	620-8000	Materials & Supplies	4,603		4,603		1,318,881	
	632-8000	Contract Accounting/Audit	15,875		15,875			
	635-8000	Contract Serv - Other	26,753		26,753			
	635-8001	Contract Serv - Network/Computers	280		280			
	650-8000	Transportation Expenses	6		6			
	658-8000	Insurance - Workers Comp.	5,268		5,268			
	675-8000	Miscellaneous Expenses	100		100			
	74 Total			261,782	5,286	267,068		
	76	Board of Commissioners					Board of Commissioners	
		601-8100	Salaries	36,000	80	\$36,080	Labor & Labor-Related Expenses	
		699-8000	FICA Taxes	2,508	129	\$2,637	Salaries	36,080
604-8400		Health Insurance	37,296	6,239	\$43,536	FICA	2,637	
604-8500		Education/Recreation	11,127	1,861	\$12,988	Health Insurance	43,536	
604-8700		Miscellaneous Benefits	250	42	\$292	Pensions & Other Benefits	13,260	
658-8000		Insurance - Other	0		\$0	Insurance	23,200	
659-8000		Insurance - Public Officials	23,200		23,200	All Other Expenses	3,921	
675-8000		Miscellaneous Expenses	3,921		3,921		122,664	
76 Total				114,312	8,352	122,664		

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 2.1 CONTINUED
DETAIL TEST YEAR OPERATION AND MAINTENANCE EXPENSE

Dept	Account	Description	(1)	(2)	(3)		
			Unadjusted Test Year	Test Year Adjustments	Adjusted Test Year		
78	HR/Information Systems/Safety						
	601-8100	Labor	443,917	991	\$444,908		
	601-8300	Vacation/PTO		0	\$0		
	699-8000	FICA Taxes	27,978	1,434	\$29,413		
	604-8300	Pension	31,252	5,228	\$36,480		
	604-8400	Health Insurance	55,839	9,342	\$65,180		
	604-8500	Education/Recreation	22,744	3,805	\$26,549		
	604-8700	Miscellaneous Benefits	26,464	4,427	\$30,891		
	620-8000	Materials & Supplies	8,088		\$8,088		
	620-8001	Computer Supplies	49,824		\$49,824		
	620-8002	Safety Supplies	9,380		9,380		
	633-8000	Legal Fees	1,113		1,113		
	634-8000	Contract Mgt Fees - Surveys	1,511		1,511		
	635-8000	Contract Expenses	146,702		146,702		
	635-8001	Contract Computer Expenses	174,265		174,265		
	635-8002	Contract Services Safety	6,636		6,636		
	650-8000	Transportation	1,774		1,774		
	656-8000	Auto Insurance-HR/Info/Safety	920		920		
	658-8000	Insurance	10,537		10,537		
	675-8000	Miscellaneous	7,641		7,641		
78 Total			1,026,585	25,228	1,051,813		
79	Administration - Other						
	604-8700	Misc Benefits	(351)	(59)	(\$410)	Administration - Other	
	615-8000	Utilities - Central Facility	73,488		\$73,488	Labor & Labor-Related Expens	9,111
	620-8000	Materials & Supplies Adm.	42,467		\$42,467	Materials & Supplies	96,408
	620-8001	Dues & Subscriptions	22,349		\$22,349	Contractual Services	261,952
	620-8003	Materials & Supplies - Promotion	9,166		9,166	Insurance	140,522
	620-8005	Materials & Supplies Bottling	22,426		22,426	All Other Expenses	420,807
	620-8006	Clearing Account			0		928,801
	631-8000	Contract Serv - Engineering Svc			0		
	633-8000	Contract Serv - Legal Fees	73,816		73,816		
	634-8000	#N/A	0		0		
	635-8000	Contract Services - Other	188,136		188,136		
	635-8002	Damages	20,322		20,322		
	635-8003	Grounds Keeping	24,799		24,799		
	635-8004	#N/A	0		0		
	656-8000	Insurance Expense - Auto	4,303		4,303		
	657-8000	Insurance Expense - G/L	11,593		11,593		
	658-8000	Insurance Expense - Workers' Comp.	47,186		47,186		
	659-8000	Insurance Expense - Officials	77,440		77,440		
	660-8000	Advertising Expense	10,282		10,282		
	667-8000	PSC Rate Case Expenses	165,808	41,384	207,192		
	667-8000	PSC Annual Assessment Fee	49,888		49,888		
	667-8000	PSC Expense Other			0		
	601-8000	Gross Payroll Clearing Account	7,605	17	\$7,622		
	601-8100	Labor - Bottling	4,289	10	\$4,298		
	604-8000	Dental Benefits Clearing Account	(4,814)	(805)	(\$5,619)		
	699-8000	FICA	3,063	157	\$3,220		
	675-8000	Miscellaneous Expense - Other	33,741		\$33,741		
	675-8080	Arbitrage Rebate Penalty / Interest	1,096		1,096		
79 Total			888,097	40,703	928,801		
GRAND TOTAL			19,949,359	425,947	20,375,306		

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 2.2

ADJUSTMENT FOR SALARIES AND INSURANCE COST INCREASES

<u>Category</u>	<u>Unadjusted Test Year</u>	<u>Adjusted Test Year</u>	<u>Percent Change</u>
Salaries/Wages & FICA	\$7,952,280	\$7,995,520	0.54%
Pension & Benefits	2,040,252	2,381,575	16.73%
Total	9,992,532	10,377,094	3.85%

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 3
 DEBT SERVICE

Line No.	Year	Existing Bonds Total Debt Service	Proposed 2006 Bonds		Total Bonded Debt	Note Payable Taylor Mill	Total (a)
			Interest	Principal			
1	2005	\$10,851,980	797,500		\$11,649,480	\$250,000	\$11,899,480
2	2006	10,868,344	1,595,000	0	12,463,344	250,000	12,713,344
3	2007	10,853,608	1,595,000	0	12,448,608	250,000	12,698,608
4	2008	10,854,051	1,595,000	0	12,449,051	250,000	12,699,051
5	2009	10,853,551	1,595,000	0	12,448,551	250,000	12,698,551
Average 2005 to 2009					12,291,807	250,000	12,541,807
Debt Service Coverage @ 20%					2,458,361	0	2,458,361

(a) Represents required deposits during year (accrued basis).

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 3.1
MAJOR CAPITAL IMPROVEMENT PROGRAM

Line No.		2005	2006	2007	2008	2009	Total
Major Capital Improvement Program							
Water Quality							
1	US 27 Pumping Station Expansion	\$2,300,000					\$2,300,000
2	TMTP PS New Pump/VFD	140,000					140,000
3	Standby Generator at ORPS1	1,500,000					1,500,000
4	FTTP Tube Settler Replacement	950,000					950,000
5	MPTP Chemical Building/Raw Water PS/Transfer Pipe	500,000	4,000,000				4,500,000
6	FTTP Ultraviolet Disinfection	500,000	3,500,000				4,000,000
7	TMTP Backwash Handling System	1,389,000					1,389,000
8	SCADA Upgrade Phase 3			2,400,000			2,400,000
9	Install Third Pump At Ripple Creek PS		160,000				160,000
10	MPTP Filter Rehabilitation			530,000			530,000
11	TMTP Tube Settler Replacement		210,000				210,000
12	Standby Generator at Dudley PS			275,000			275,000
13	New Water Tank, Rossford				1,000,000		1,000,000
14	FTTP Post-Filtration GAC (Part 1)					1,000,000	1,000,000
15	Standby Generator at TMTP PS					170,000	170,000
16	Total Water Quality	7,279,000	7,870,000	3,205,000	1,000,000	1,170,000	20,524,000
Distribution System							
17	US27 from State Rt 824 to Pendleton Co Meter KDOT				770,000		770,000
18	24" Redundancy Glenn Ave., Covington	980,000					980,000
19	Bristow Road P.S 12" to Bristow Road		90,000				90,000
20	Narrows Rd. (connecting ext 16" & 12")		96,000				96,000
21	Poplar Ridge Rd. (Upper Tug Fork to 4mile)	340,200					340,200
22	Four Mile Pk (Poplar Rdg. To Nelson Rd)	369,400					369,400
23	Nelson Rd. (Four Mile to 4 & 12 Mile Rd)	720,400					720,400
24	Four & Twelve Mile Rd. (Nelson to Hwy 1566)		670,000				670,000
25	Washington Trace Rd. (12 Mile Rd to Hwy 1996)		1,245,000				1,245,000
26	KY 9 (36" Mook Rd to Newport Steel Entrance)		1,500,000				1,500,000
27	Low Gap Rd. (Ky9 to Existing Dead End)				192,000		192,000
28	Licking Pike From Trapp Rd to Rifle Range (Sub-F)	135,000					135,000
29	Licking Pike from Rifle Range to Sub-D (Sub-F)	70,000					70,000
30	Water Main Replacement Program 2004	477,410					477,410
31	3rd Street	372,000					372,000
32	Steel Water Main Phase 3	315,590					315,590
33	New Richmond Road (Old Carthage Rd)	420,000					420,000
34	4 Mile Circle	115,000					115,000
35	2004 Systematic Water Main Replacement	1,000,000					1,000,000
36	Mains into Unserved Areas 2004 (Sub - F, Campbell)	250,000					250,000
37	4 Mile Pk. (Uhl Rd. south to End of Line)		230,000				230,000
38	Gunkel Rd (Upper Eight Mile to Fender Rd)		500,000				500,000
39	Lower Tug Fork (Upper Tug Fork 6")	325,000					325,000
40	Water Main Replacement Program 2005	1,520,000					1,520,000
41	Forest/Short John/John St 2005 Main Replacement	580,000					580,000
42	Mains into Unserved Areas 2005 (Sub - G, Kenton)	250,000					250,000
43	Water Main Replacement Program 2006		2,100,000				2,100,000
44	Mains into Unserved Areas 2006		250,000				250,000
45	U S 27 From Ripple Creek BPS to E. Alex Pike		1,700,000				1,700,000
46	U S 27 From E. Alexandria Pike to Main		1,500,000				1,500,000
47	Pelly Rd from Ky 17 to Senour Road	400,000					400,000
48	Senour Road from Pelly to Ky 16	165,500					165,500
49	Hands Pike from Ky 16 to Edwin Drive		285,000				285,000
50	Ky. 16, from Hands Pike to Klette Road		275,000				275,000
51	Newport LS/HS Interconnect/Regulated Woodlawn		520,000				520,000
52	Newport Low Service Interconnect 30"			750,000			750,000
53	Ky 547, from Washington St to Nelson Road			965,000			965,000
54	Four Mile Pk (Poplar Rdg. To Upper 8 Mile)			510,000			510,000
55	Dudley Discharge 12" - 30"			2,800,000			2,800,000
56	Water Main Replacement Program 2007			2,100,000			2,100,000
57	Mains into Unserved Areas 2007			250,000			250,000
58	Twelve Mile Rd., KY 10 to KY 1566				450,000		450,000
59	Year 2008 Water Main Replacement Program				2,100,000		2,100,000
60	Mains into Unserved Areas 2008				250,000		250,000
61	Ky 536, US 27 to Pond Creek Road - 12"					1,990,000	1,990,000
62	Interconnect 1010/1017 12"					500,000	500,000
63	Ky 2043, Banklick Station Road to Ky 16				2,400,000		2,400,000
64	Year 2009 Water Main Replacement Program					2,100,000	2,100,000
65	Mains into Unserved Areas 2009					250,000	250,000
66	Total Distribution System	8,805,500	10,961,000	7,375,000	6,162,000	4,840,000	38,143,500
Customer Service							
67	Radio Read Meters for Newport Area	800,000	500,000				1,300,000
68	Utility Information Management - EMA Recommendations	200,000	1,000,000				1,200,000
69	Radio Read Meters for Kenton & Campbell Areas 2006		800,000				800,000
70	Radio Read Meters for Kenton & Campbell Areas 2007			800,000			800,000
71	Radio Read Meters for Kenton & Campbell Areas 2008				800,000		800,000
72	Radio Read Meters for Kenton & Campbell Areas 2009					800,000	800,000
73	Radio Read Meters for Kenton & Campbell Areas 2009					800,000	800,000
74	Total Customer Service	1,000,000	2,300,000	800,000	800,000	800,000	5,700,000
Administration							
Central Facility							
75	Central Facility - Purchase Price	3,650,000					3,650,000
76	Central Facility - Remodeling	4,600,000					4,600,000
77	Total Administration	8,250,000	0	0	0	0	8,250,000
78	Miscellaneous Projects	0	0	0	0	0	0
79	Total CIP Program	25,334,500	21,131,000	11,380,000	7,962,000	6,810,000	72,617,500

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 3.2
 DEBT SERVICE ON PROPOSED 2006 SERIES BONDS

	Payment Date	Principal	Coupon	Interest	Period Total	Annual	Accrued Total	Accrued Total Interest	Accrued Total Principal
						Debt Service Total			
	08/02/05				0	797,500	797,500	797,500	0
1	02/01/06				0	797,500			
2	08/01/06		5.50%	797,500	797,500		1,595,000	1,595,000	0
3	02/01/07		5.50%	797,500	797,500		1,595,000	1,595,000	
4	08/01/07		5.50%	797,500	797,500		1,595,000	1,595,000	0
5	02/01/08		5.50%	797,500	797,500		1,595,000	1,595,000	
6	08/01/08		5.50%	797,500	797,500		1,595,000	1,595,000	0
7	02/01/09		5.50%	797,500	797,500		1,595,000	1,595,000	
8	08/01/09		5.50%	797,500	797,500		1,595,000	1,595,000	0
9	02/01/10		5.50%	797,500	797,500		1,595,000	1,595,000	
10	08/01/10		5.50%	797,500	797,500		1,595,000	1,595,000	0
11	02/01/11		5.50%	797,500	797,500		1,595,000	1,595,000	
12	08/01/11		5.50%	797,500	797,500		2,392,450	1,572,450	820,000
13	02/01/12	820,000	5.50%	797,500	1,617,500	2,392,450			
14	08/01/12		5.50%	774,950	774,950		2,391,113	1,526,113	865,000
15	02/01/13	865,000	5.50%	774,950	1,639,950	2,391,113			
16	08/01/13		5.50%	751,163	751,163		2,392,163	1,477,163	915,000
17	02/01/14	915,000	5.50%	751,163	1,666,163	2,392,163			
18	08/01/14		5.50%	726,000	726,000		2,390,463	1,425,463	965,000
19	02/01/15	965,000	5.50%	726,000	1,691,000	2,390,463			
20	08/01/15		5.50%	699,463	699,463		2,390,875	1,370,875	1,020,000
21	02/01/16	1,020,000	5.50%	699,463	1,719,463	2,390,875			
22	08/01/16		5.50%	671,413	671,413		2,388,263	1,313,263	1,075,000
23	02/01/17	1,075,000	5.50%	671,413	1,746,413	2,388,263			
24	08/01/17		5.50%	641,850	641,850		2,392,350	1,252,350	1,140,000
25	02/01/18	1,140,000	5.50%	641,850	1,781,850	2,392,350			
26	08/01/18		5.50%	610,500	610,500		2,388,000	1,188,000	1,200,000
27	02/01/19	1,200,000	5.50%	610,500	1,810,500	2,388,000			
28	08/01/19		5.50%	577,500	577,500		2,390,075	1,120,075	1,270,000
29	02/01/20	1,270,000	5.50%	577,500	1,847,500	2,390,075			
30	08/01/20		5.50%	542,575	542,575		2,388,300	1,048,300	1,340,000
31	02/01/21	1,340,000	5.50%	542,575	1,882,575	2,388,300			
32	08/01/21		5.50%	505,725	505,725		2,392,400	972,400	1,420,000
33	02/01/22	1,420,000	5.50%	505,725	1,925,725	2,392,400			
34	08/01/22		5.50%	466,675	466,675		2,392,100	892,100	1,500,000
35	02/01/23	1,500,000	5.50%	466,675	1,966,675	2,392,100			
36	08/01/23		5.50%	425,425	425,425		2,392,263	807,263	1,585,000
37	02/01/24	1,585,000	5.50%	425,425	2,010,425	2,392,263			
38	08/01/24		5.50%	381,838	381,838		2,387,750	717,750	1,670,000
39	02/01/25	1,670,000	5.50%	381,838	2,051,838	2,387,750			
40	08/01/25		5.50%	335,913	335,913		2,388,288	623,288	1,765,000
41	02/01/26	1,765,000	5.50%	335,913	2,100,913	2,388,288			
42	08/01/26		5.50%	287,375	287,375		2,388,463	523,463	1,865,000
43	02/01/27	1,865,000	5.50%	287,375	2,152,375	2,388,463			
44	08/01/27		5.50%	236,088	236,088		2,392,863	417,863	1,975,000
45	02/01/28	1,975,000	5.50%	236,088	2,211,088	2,392,863			
46	08/01/28		5.50%	181,775	181,775		2,391,213	306,213	2,085,000
47	02/01/29	2,085,000	5.50%	181,775	2,266,775	2,391,213			
48	08/01/29		5.50%	124,438	124,438		2,388,375	188,375	2,200,000
49	02/01/30	2,200,000	5.50%	124,438	2,324,438	2,388,375			
50	08/01/30		5.50%	63,938	63,938		2,388,938	63,938	2,325,000
51	02/01/31	2,325,000	5.50%	63,938	2,388,938	2,388,938			
		29,000,000		27,579,200	56,579,200	56,579,200	56,579,200	27,579,200	29,000,000
Accrued Interest Total				27,579,200	56,579,200	56,579,200	56,579,200	27,579,200	29,000,000

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 4
DEPRECIATION EXPENSE

Line No.	Plant Account	12/31/04 Depreciation	Change in Current Assets	Test Year Total
		\$	\$	\$
	Source of Supply & Pumping			
1	Land & Land Rights	0	0	0
2	Structures & Improvements	269,426	1,582	271,007
3	Lake River & Other Intakes	77,488	(0)	77,488
4	Supply Mains	23,312	0	23,312
5	Pumping Equipment	381,934	5,815	387,750
6	Total	752,159	7,397	759,556
	Water Treatment Plant			
7	Land & Land Rights	0	0	0
8	Structures & Improvements	804,794	(10,228)	794,565
9	Water Treatment Equipment	421,478	(30,424)	391,054
10	Total	1,226,272	(40,653)	1,185,619
	Transmission & Distribution			
11	Land & Land Rights	0	0	0
12	Structures & Improvements	200,346	2,876	203,222
13	Distribution Reservoirs & Standpipes	133,504	250	133,754
14	Transmission & Distribution Mains	1,139,203	94,413	1,233,616
15	Transmission & Distribution Services	375,998	15,736	391,734
16	Meters & Meter Installation	152,590	5,272	157,862
17	Hydrants	86,660	4,483	91,143
18	Other Plant & Misc. Equipment	220,126	105,877	326,003
19	Total	2,308,427	228,907	2,537,333
	General Plant			
20	Land & Land Rights	0	0	0
21	Structures & Improvements	323,967	35,536	359,503
22	Office Equipment	226,866	(13,785)	213,080
23	Transportation Equipment	226,860	(12,163)	214,697
24	Tools, Shop & Garage Equipment	3,569	(221)	3,348
25	Power Operated Equipment	33,680	3,369	37,049
26	Other Tangible Plant	25,064	(6,373)	18,691
27	Total	840,005	6,362	846,368
28	Total Depreciation Expense	5,126,863	202,013	5,328,876

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 5
 REVENUES NOT SUBJECT TO RATE INCREASE

Line No.	Forfeited Discounts	Rents from Property	Turn On Fees	Private Fire Protection (a)	Surcharge Revenues	Total	Reference
1	Test Year	\$621,870	\$452,661	\$258,818	\$58,730	\$481,467	\$1,873,546 2004 Financials

(a) Used to credit public fire protection costs.

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 6
 TEST YEAR NON-OPERATING INCOME

Line No.		Boone & Florence			Interest Income	Total	Reference
		Misc. Income	Reserve	Early Termination ^(a)			
1	Test Year	\$161,195	\$375,101	\$68,584	\$791,405	\$1,396,285	2004 Financials

(a) In accordance with PSC Order 2002-0105, the extraordinary income amount of \$685,842 realized in 2002 related to the Boone/Florence early termination penalty payment is amortized over 10 years.

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 7
TEST YEAR REVENUES UNDER CURRENT RATES

Line No.		Metered Sales			Total	Reference
		Retail	Wholesale	Bulk		
1	2004	\$29,915,559	\$952,550	\$5,081	\$30,873,190	2004 Financials
2	Plus Taylor Mill conversion to retail ^(a)	611,109	(206,668)	0	404,441	Petitioner's Exhibit K
3	Plus Volume Normalization ^(b)	1,820,339			1,820,339	Petitioner's Exhibit K
4	Plus New Connections ^(c)	296,835	0	0	296,835	Petitioner's Exhibit O
5	Plus Prior Rate Increase ^(d)	632,245	32,150	0	664,395	
6	Test Year	33,276,086	778,032	5,081	34,059,199	

- (a) Adjustment to reflect Taylor Mill becoming a retail customer of the District beginning in April 2004.
- (b) Adjustment to normalize for abnormally low billable water usage due to rainy weather in 2004.
- (c) Extensions are expected to result in approximately 900 new connections.
- (d) Adjustment for Rate Increase approved in PSC Order 2003-00224.

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 8
REVENUE REQUIREMENTS

Line
No.

	Total Revenue Requirement		
1	Total Revenue Requirement	\$40,704,350	Schedule 1
2	Less: Non-Operating Income	(952,600)	Schedule 7
3	Less: Private Fire Protection Revenues	(58,730)	Credit to Fire Protection
4	Less: Boone & Florence Reserve and Early Termination	(443,685)	Schedule 5
5	Less: Other Revenues Not Subject to Rate Increase	<u>(1,814,816)</u>	Schedule 5
6	Total Revenue Required from Water Sales	37,434,519	
	Operation & Maintenance Expense from Water Sales Revenues		
7	Operation & Maintenance Expense	20,375,306	Schedule 1
8	Less: Non-Operating Income	(98,797)	Line 2
9	Less: Private Fire Protection Revenues	(58,730)	Credit to Fire Protection
10	Less: Other Revenues Not Subject to Rate Increase	<u>(1,814,816)</u>	Line 5
11	Net Operation & Maintenance Expense	18,402,963	
	Capital Costs		
12	Depreciation Expense	5,328,876	Schedule 3
13	Debt Service	12,541,807	Schedule 3
14	Debt Service Coverage	2,458,361	Schedule 3
15	Less: Non-Operating Income	(853,803)	Line 2 - Line 8
16	Less: Boone & Florence Reserve and Early Termination	<u>(443,685)</u>	Schedule 6
17	Net Capital Costs	19,031,556	

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 9
RETURN ON UTILITY PLANT AND RETURN ON EQUITY

Line
No.

Return on Utility Plant

1	Net Depreciated Plant	\$205,274,916	Schedule 11.1
2	Less: Contribution in Aid of Construction	<u>(40,195,514)</u>	Financial Statements
3	Net Plant	165,079,402	

Pro Forma Operating Revenues

Revenues			
4	Operating Revenue Not Subject to Rate Increase	1,873,546	Schedule 1
5	Non-Operating Revenue	952,600	Schedule 1
6	Boone & Florence Reserve and Early Termination	443,685	Schedule 1
7	Revenues at Current Rates	34,059,199	Schedule 1
8	Increased Revenue with Requested Rate Increase	<u>3,375,320</u>	Schedule 1
9	Total Pro Forma Revenue	40,704,350	
Less: Operation & Maintenance Expense			
10	Less: Operation & Maintenance Expense	(20,375,306)	Schedule 1
11	Less: Depreciation Expense	(5,328,876)	Schedule 1
12	Less: Debt Service Coverage	<u>(2,458,361)</u>	Schedule 1
13	Total Pro Forma Operating Revenue	12,541,807	
14	Pro Forma Return on Utility Plant	7.60%	Line 13/Line 3

Imbedded Interest Rate as of December 31, 2004

	<u>Principal</u>	<u>Annual Interest</u>	<u>Average Interest Rate</u>	
15	1997 Bonds	7,080,000	316,990	4.48%
16	1998 Bonds	10,045,000	480,836	4.79%
17	2001 Bonds	15,565,000	733,100	4.71%
18	SubDistrict C	2,220,000	111,000	5.00%
19	2002A Bonds	44,790,000	2,176,540	4.86%
20	2002B Bonds	9,585,000	356,706	3.72%
21	2003A Bonds	1,580,000	65,078	4.12%
22	2003B Bonds	29,445,000	1,039,150	3.53%
23	2003C Bonds	22,360,000	747,944	3.35%
24	2004 Bonds	<u>10,455,000</u>	<u>303,323</u>	2.90%
25	Total Existing Bonds	153,125,000	6,330,667	4.13%
26	2006 Bonds	<u>29,000,000</u>	<u>1,595,000</u>	5.50%
27	Total Bonds	182,125,000	7,925,667	4.35%

Return on Equity

	<u>Capital Structure</u>	<u>Capital Structure</u>	<u>Cost of Capital</u>	
28	Outstanding Principal on Revenue Bonds as of December 31, 2004 (Line 25)	153,125,000	60.10%	4.13% (a)
29	Net System Equity as of December 31, 2004	<u>101,641,347</u>	<u>39.90%</u>	<u>12.49%</u> (b)
30	Total	254,766,347	100.00%	7.60% (c)

(a) Line 28
(b) Calculated
(c) Line 14

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 10
 ALLOCATION OF DEPRECIATION EXPENSE

Line No.	Description	Common to All Customers				Distribution System Customers Only(*)				Fire Protection
		Total	Extra Capacity		Billing	Base	Extra Capacity		Max Hour	
			Base	Max Day			Max Hour	Max Day		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	Source of Supply & Pumping									
1	Land & Land Rights	0	0							
2	Structures & Improvements	271,007	172,089	98,918						
3	Lake River & Other Intakes	77,488	49,205	28,283						
4	Supply Mains	23,312	14,803	8,509						
5	Pumping Equipment	387,750	246,221	141,529						
6	Total	759,556	482,317	277,239	0	0	0	0	0	0
	Water Treatment Plant									
7	Land & Land Rights	0	0	0						
8	Structures & Improvements	794,565	504,549	290,016						
9	Water Treatment Equipment	391,054	248,319	142,735						
10	Total	1,185,619	752,868	432,751	0	0	0	0	0	0
	Transmission & Distribution									
11	Land & Land Rights	0	0	0						
12	Structures & Improvements	203,222	39,398	22,636	4,507	55,619	0	30,459	17,457	23,922
13	Distribution Reservoirs & Standpipes	133,754	56,712	32,502	44,540					
	Transmission & Distribution Mains									
14	Large Mains	523,762	332,589	191,173				300,978	172,495	236,382
15	Small Mains	709,855								
16	Transmission & Distribution Services	391,734				391,734				
17	Meters & Meter Installation	157,862				157,862				
18	Hydrants	91,143								
19	Other Plant & Misc. Equipment	326,003	32,081	18,432	3,670	45,289	160,524	24,802	14,215	19,479
20	Total	2,537,333	460,779	264,743	52,717	650,503	160,524	356,239	204,167	279,783
	General Plant									
21	Land & Land Rights	0	0	0	0	0	0	0	0	0
22	Structures & Improvements	359,503	136,019	78,175	4,228	52,171	12,874	28,571	16,374	22,439
23	Office Equipment	213,080	80,619	46,335	2,506	30,922	7,631	16,934	9,705	13,300
24	Transportation Equipment	214,697	81,230	46,686	2,525	31,157	7,689	17,063	9,779	13,401
25	Tools, Shop & Garage Equipment	3,348	1,267	728	39	486	120	266	152	209
26	Power Operated Equipment	37,049	14,018	8,056	436	5,377	1,327	2,944	1,687	2,312
27	Other Tangible Plant & Routine Annual	18,691	7,073	4,064	220	2,712	669	1,485	851	1,167
28	Total	846,368	320,226	184,044	9,954	122,825	30,310	67,263	38,548	52,828
29	Total Depreciation Expense	5,328,876	2,016,190	1,158,777	62,671	773,328	190,834	423,502	242,715	332,611
30	Distribution	100.0%	37.8%	21.7%	1.2%	14.5%	3.6%	7.9%	4.6%	6.2%

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 10.1
 DEPRECIATION EXPENSE, NET PLANT INVESTMENT, AND OTHER CAPITAL COST ALLOCATION FACTORS

Line No.	Cost Component	Allocation Factors					Reference
		Demand Ratio	Base	Max Day	Max Hour	Public Fire Protection	
1	Base	100.0%	100.0%				
2	Max Day	1.574%	63.5%	36.5%			2002 Demand Data - NKWD
3	Max Hour	236.1%	42.4%	24.3%	33.3%		2002 Demand Data - NKWD

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 10.2
 ALLOCATION PROCEDURES

Description	Allocation Procedure
Source of Supply & Pumping	
Land & Land Rights	Common to All - Base
Structures & Improvements	Common to All - Base/Maximum Day
Lake River & Other Intakes	Common to All - Base/Maximum Day
Supply Mains	Common to All - Base/Maximum Day
Pumping Equipment	Common to All - Base/Maximum Day
Water Treatment Plant	Common to All - Base/Maximum Day
Land & Land Rights	Common to All - Base/Maximum Day
Structures & Improvements	Common to All - Base/Maximum Day
Water Treatment Equipment	Common to All - Base/Maximum Day
Transmission & Distribution	
Land & Land Rights	Common to All - Base
Structures & Improvements	Sum of All excluding Other Plant (T&D category)
Distribution Reservoirs & Standpipes	Common to All - Base/Maximum Day/Maximum Hour
Transmission & Distribution Mains	
Large Mains (as defined in PSC Order 2002-0105)	Base/Maximum Day
Small Mains (as defined in PSC Order 2002-0105)	Base/Maximum Day/Maximum Hour
Transmission & Distribution Services	Meters & Services
Meters & Meter Installation	Meters & Services
Hydrants	Public Fire Protection
Other Plant & Misc. Equipment	Sum of the above (T&D category)
General Plant	
Land & Land Rights	Sum of the above (Source & Supply, Water Treatment Plant, T&D)
Structures & Improvements	Sum of the above (Source & Supply, Water Treatment Plant, T&D)
Office Equipment	Sum of the above (Source & Supply, Water Treatment Plant, T&D)
Transportation Equipment	Sum of the above (Source & Supply, Water Treatment Plant, T&D)
Tools, Shop & Garage Equipment	Sum of the above (Source & Supply, Water Treatment Plant, T&D)
Power Operated Equipment	Sum of the above (Source & Supply, Water Treatment Plant, T&D)
Other Tangible Plant & Rountine Annual	Sum of the above (Source & Supply, Water Treatment Plant, T&D)
Main Repair, Replacement & Extensions Reserve	Sum of Large Mains and Small Mains
Working Capital	Sum of the above (all Plant Investment categories)
Inventory	Sum of the above (all Plant Investment categories)
Contributed Capital	Distribution System Customers - Base/Maximum Day/Maximum Hour
Debt Service and Debt Service Coverage	Sum of the above (all Plant Investment categories)
Interest Income	Sum of the above (all Plant Investment categories)
Boone & Florence Reserve	Sum of the above less Public Fire Protection (all Plant Investment categories less Fire Protection)

NORTHERN KENTUCKY WATER DISTRICT
May 20, 2005 3:18 p.m.

Description	12/31/04 Original Book Value	Ending Dec 31, 2004 Adjustments		2005 adjustments		Net Plant Thru 12/31/04	Plus Plant Additions	Less Net Depreciation	Test Year CWIP ^(a)	Test Year Net Plant
		Accumulated Depreciation	Plus Current	Plus Plant	Depreciation					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Source of Supply & Pumping										
1 Land & Land Rights	29,200	0	0	0	0	29,200	0	0	0	29,200
2 Structures & Improvements	16,869,144	2,269,256	269,426	0	0	14,330,463	0	271,007	0	14,059,455
3 Lake River & Other Intakes	1,524,592	524,175	77,488	0	0	922,929	0	77,488	0	845,441
4 Supply Mains	2,307,853	316,102	23,312	0	0	1,968,440	0	23,312	0	1,945,128
5 Pumping Equipment	8,661,832	3,026,475	381,934	0	0	5,253,423	0	387,750	738,542	5,604,215
6 Total	29,392,621	6,136,008	752,159	0	0	22,504,454	0	759,556	738,542	22,483,440
Water Treatment Plant										
7 Land & Land Rights	72,496	0	0	0	0	72,496	0	0	0	72,496
8 Structures & Improvements	36,092,640	4,533,748	804,794	0	0	30,754,098	0	794,565	0	29,959,532
9 Water Treatment Equipment	9,285,428	2,296,200	421,478	0	0	6,567,751	0	391,054	72,476	6,249,173
10 Total	45,450,564	6,829,948	1,226,272	0	0	37,394,344	0	1,185,619	72,476	36,281,201
Transmission & Distribution										
11 Land & Land Rights	205,403	0	0	0	0	205,403	0	0	0	205,403
12 Structures & Improvements	7,660,361	1,673,659	200,346	0	0	5,786,356	0	203,222	50,843	5,633,978
13 Distribution Reservoirs & Standpipes	7,500,741	2,408,904	133,504	0	0	4,958,333	0	133,754	0	4,824,579
14 Transmission & Distribution Mains	106,184,511	11,418,762	1,139,203	0	0	93,626,546	0	1,233,616	11,019,523	103,412,453
15 Transmission & Distribution Services	18,787,274	5,456,873	375,998	0	0	12,954,404	0	391,734	0	12,562,670
16 Meters & Meter Installation	6,537,668	1,377,830	152,590	0	0	5,047,248	0	157,862	0	4,889,386
17 Hydrants	4,550,842	1,106,589	86,660	0	0	3,357,592	0	91,143	0	3,266,449
18 Other Plant & Misc. Equipment	3,374,076	923,508	220,126	0	0	2,230,441	0	326,003	0	1,904,439
19 Total	154,800,876	24,326,125	2,308,427	0	0	128,166,324	0	2,537,333	11,070,366	136,699,357
General Plant										
20 Land & Land Rights	298,317	0	0	0	0	298,317	0	0	0	298,317
21 Structures & Improvements	4,894,293	1,274,984	323,967	0	0	3,295,342	0	359,503	5,591,840	8,527,679
22 Office Equipment	2,352,529	1,529,385	226,866	0	0	596,278	0	213,080	0	383,198
23 Transportation Equipment	2,512,074	1,606,331	226,860	0	0	678,883	0	214,697	0	464,186
24 Tools, Shop & Garage Equipment	284,376	270,144	3,569	0	0	10,663	0	3,348	0	7,315
25 Power Operated Equipment	542,549	364,802	33,680	0	0	144,068	0	37,049	0	107,019
26 Other Tangible Plant & Routine Annual	891,077	824,119	25,064	0	0	41,895	0	18,691	0	23,204
27 Total	11,775,215	5,869,765	840,005	0	0	5,065,445	0	846,368	5,591,840	9,810,918
Net Plant Investment										
28 Net Plant Investment	241,419,276	43,161,847	5,126,863	0	0	193,130,567	0	5,328,876	17,473,225	205,274,916
29 Construction Work in Progress	0	0	0	0	0	0	0	0	0	0
30 Annual Repairs & Replacements	0	0	0	0	0	0	0	0	0	0
31 Total Plant Investment	241,419,276	43,161,847	5,126,863	0	0	193,130,567	0	5,328,876	17,473,225	205,274,916

(a) See Schedule 11.2

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 11.2
CONSTRUCTION WORK IN PROGRESS DETAIL

	Description	Account	Ending	Plus	Total	Asset Class
			12/31/04	Projects	Test Year	
		CWIP	Already Bid or	Contracted ^(a)	CWIP	
		\$	\$	\$	\$	
1	CIP - SR 536 (Pond Creek) US27 to Ky 9 16"	184-0052-000	95		95	Large Mains
2	CIP - Racetrack Rd from Flatwood to Persimmon 12"	184-0063-000	11,341	578,659	590,000	Large Mains
3	CIP - Howard Ave 8"	184-0070-000	2,584	0	2,584	Small Mains
4	New 42" from FTTP to Mook Rd @ Joe's Lake Road	184-0076-000	15,289	0	15,289	Large Mains
5	Fourth St Water Main	184-0100-000	14,633	185,367	200,000	Small Mains
6	24" Steel Main Replacement, Latonia	184-0103-000	244	0	244	Large Mains
7	Richardson Rd US 25 to Beechgrove	184-0106-000	981	0	981	Large Mains
8	Orphanage Dudley 1040 pump	184-0107-000	1,286	448,714	450,000	Large Mains
9	4 Mile Pk (Poplar Rdg to Nelson Rd)	184-0111-000	5,959	363,441	369,400	Large Mains
10	Nelson Rd (4 Mile to 4 & 12 Mile)	184-0112-000	5,959	714,441	720,400	Large Mains
11	Arcadia Ave.	184-0118-000	0	0	0	Small Mains
12	Ryland Heights Watermain	184-0122-000	12,461	0	12,461	Small Mains
13	24" redundancy Glenn ave covington	184-0123-000	11,511	968,489	980,000	Large Mains
14	Poplar Ridge (Upper Tug Fork to 4 Mile, Hydraulic	184-0132-000	5,959	334,241	340,200	Large Mains
15	16"water main Far Hills Dr to Pelly Rd	184-0135-000	365,814	34,186	400,000	Large Mains
16	Newport high service 12" interconnection	184-0140-000	6,581	517,419	524,000	Large Mains
17	Newport,MPTP low service 20" interconnection	184-0141-000	318,920	45,920	364,840	Large Mains
18	Klette Road/Rice Rd.	184-0142-000	51,747	658,573	710,320	Large Mains
19	Water Works Rd Water Main Replacement	184-0151-000	7,663	0	7,663	Large Mains
20	WM replacement - Madison Ave.	184-0154-000	429,658	220,342	650,000	Small Mains
21	Rossford Ave from 12" to Tank, Covert	184-0156-000	22,248	442,752	465,000	Large Mains
22	Jefferson, Euclid , Highland Watermain Replacement	184-0157-000	14,895	0	14,895	Small Mains
23	3rd Street watermain design	184-0160-000	9,856	362,144	372,000	Small Mains
24	24 Inch Steel Phase 2	184-0164-000	364,992	74,116	439,108	Large Mains
25	Barbara Circle water main replacement	184-0166-000	4,500	136,500	141,000	Small Mains
26	W M replacement,Grand/Kollman/Cleveland/Parkview	184-0167-000	25,728	0	25,728	Small Mains
27	New Richmond Rd & Four Mile Circle	184-0168-000	6,498	108,502	115,000	Small Mains
28	Ross Avenue main line project	184-0170-000	5,183	39,817	45,000	Small Mains
29	Taylor Ave & Eden Ave main line project	184-0171-000	5,183	44,817	50,000	Small Mains
30	8" water main project 4 Mile Pk	184-0172-000	18,958	42	19,000	Small Mains
31	Eaton Drive 8" WM & 18" interconnect	184-0173-000	5,036	41,464	46,500	Large Mains
32	John St, Short John, Forest St/ water main replace	184-0174-000	14,754	0	14,754	Small Mains
33	New Richmond Road main line project	184-0175-000	6,205	0	6,205	Small Mains
34	CIP - DOT Johns Hill Rd to KY 9 Relocation	184-0203-000	4,172	(0)	4,172	Large Mains
35	CIP - Madison Pike(Ky 17) Pelly to Hands Pk	184-0206-000	20,644	0	20,644	Large Mains
36	Dixie Hwy Drainage Improvements	184-0207-000	7,887	(0)	7,887	Large Mains
37	Buttermilk Post Office to Dixie Hwy	184-0208-000	11,561	16,418	27,979	Large Mains
38	Bristow Rd KY 536 -Banklick CK & CSR RR	184-0210-000	32,264	0	32,264	Large Mains
39	Madison Pk / Pelley	184-0211-000	10,553	(6,107)	4,447	Large Mains
40	Walton Nicholson Pk - Curve straightning	184-0212-000	5,551	0	5,551	Large Mains
41	Dolwick Dr connector to Erlanger	184-0213-000	18,729	0	18,729	Large Mains
42	Turkeyfoot Road Reconstruction	184-0214-000	35,540	(5,540)	30,000	Large Mains
43	Turkeyfoot Relocation	184-0215-000	11,053	1,447	12,500	Large Mains
44	10th Street Crossing	184-0218-000	8,664	1,336	10,000	Large Mains
45	Ky 8 Ridge replacement KDOT project	184-0221-000	4,505	1,495	6,000	Small Mains
46	Water facilities relocation-Owl Creek	184-0222-000	4,583	(948)	3,635	Small Mains
47	Water facilities relocation-Kahns- Ky 10	184-0223-000	18,049	0	18,049	Large Mains
48	CIP - Central Facility Study	184-0305-000	5,569,054	0	5,569,054	Admin
49	Billing Project	184-0310-000	22,787	0	22,787	Billing
50	CIP - Water Tower -IMGM- South Campbell Co.	184-0416-000	50,843	0	50,843	Water Towers
51	US 27 Pump Station expansion	184-0433-000	88,542	0	88,542	Pump Stations
52	MPTP Engineering Evaluation	184-0435-000	72,476	0	72,476	WTP
53	Replacment/repair ORPS #1 pump	184-0436-000	68,489	581,511	650,000	Pump Stations
54	Distribution System Scada	184-0411-501	2,411,738	313,262	2,725,000	Small Mains
55	Total CWIP		10,250,407	7,222,818	17,473,225	

0

(a) Per PSC Order 2002-0105, all projects that have been bid or contracted for start prior to end of the (calendar) year are included in CWIP. All projects are anticipated to be 90% complete or greater by December 31, 2005.

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 12
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE

Line No.	Description	Total	Common to All Customers					Distribution System Customers Only(*)			Public Fire Protection
			Base	Extra Capacity		Metering	Billing	Base	Extra Capacity		
				Max Day	Max Hour				Max Day	Max Hour	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
Source of Supply											
Licking River Pump Station											
1	Labor	997	633	364							
2	Electric Cost	42,104	37,894	4,210							
3	Materials & Supplies	2,393	1,519	874							
4	Contractual Services	12,664	8,042	4,622							
5	Total	58,158	48,088	10,070	0	0	0	0	0	0	
Ohio River Pump Station #1											
6	Labor	7,000	4,445	2,555							
7	Electric Cost	521,942	469,748	52,194							
8	Materials & Supplies	9,600	6,096	3,504							
9	Contractual Services	20,034	12,722	7,312							
10	All Other Expenses	0									
11	Total	558,577	493,012	65,565	0	0	0	0	0	0	
Ohio River Pump Station #2											
12	Labor	4,812	3,056	1,756							
13	Electric Cost	48,240	43,416	4,824							
14	Materials & Supplies	6,934	4,403	2,531							
15	Contractual Services	5,588	3,548	2,040							
16	All Other Expenses	0									
17	Total	65,574	54,423	11,151	0	0	0	0	0	0	
18	Total Source of Supply	682,309	595,522	86,787	0	0	0	0	0	0	
Water Quality and Production											
Fort Thomas Treatment Plant											
19	Labor & Labor-Related Expenses	1,211,673	769,413	442,260							
20	Electric Cost	71,251	64,126	7,125							
21	Chemicals & Gas	579,060	579,060								
22	Materials & Supplies	80,405	51,057	29,348							
23	Contractual Services	155,030	98,444	56,586							
24	Insurance	98,407	98,407								
25	All Other Expenses	22,995	14,602	8,393							
26	Total	2,218,820	1,675,108	543,712	0	0	0	0	0	0	
Taylor Mill Treatment Plant											
27	Labor & Labor-Related Expenses	331,707	210,634	121,073							
28	Chemicals & Gas	140,787	140,787								
29	Materials & Supplies	43,368	27,539	15,829							
30	Contractual Services	169,899	107,886	62,013							
31	Insurance	27,057	27,057								
32	All Other Expenses	1,189	755	434							
33	Total	714,006	514,657	199,349	0	0	0	0	0	0	
Memorial Parkway Treatment Plant											
34	Labor & Labor-Related Expenses	475,219	301,764	173,455							
34	Electric Cost	64,999	58,499	6,500							
35	Chemicals & Gas	207,778	207,778								
36	Materials & Supplies	42,497	26,986	15,511							
37	Contractual Services	81,024	51,450	29,574							
38	Insurance	33,851	33,851								
39	All Other Expenses	3,521	2,236	1,285							
40	Total	908,890	682,565	226,325	0	0	0	0	0	0	
Laboratory											
41	Labor & Labor-Related Expenses	493,653	493,653								
42	Chemicals & Gas	0	0								
43	Materials & Supplies	87,596	87,596								
44	Contractual Services	87,824	87,824								
45	Insurance	11,061	11,061								
46	All Other Expenses	4,481	4,481								
47	Total	684,615	684,615	0	0	0	0	0	0	0	
Instrumentation											
48	Labor & Labor-Related Expenses	241,491	153,347	88,144							
49	Materials & Supplies	31,979	20,307	11,672							
50	Contractual Services	6,394	4,060	2,334							
51	Insurance	3,951	3,951								
52	All Other Expenses	9,621	6,109	3,512							
53	Total	293,437	187,775	105,662	0	0	0	0	0	0	

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 12 CONTINUED
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE

Line No.	Description	Total	Common to All Customers				Distribution System Customers Only(*)			Public Fire Protection
			Base	Extra Capacity		Base	Extra Capacity			
				Max Day	Max Hour		Max Day	Max Hour		
		\$	\$	\$	\$	\$	\$	\$	\$	
	Sludge									
54	Labor & Labor-Related Expenses	163	163							
55	Chemicals & Gas	7,275	7,275							
56	Materials & Supplies	39,293	39,293							
57	Contractual Services	368,927	368,927							
58	Insurance	0	0							
59	All Other Expenses	16	16							
60	Total	415,675	415,675	0	0	0	0	0	0	0
61	Total Water Quality and Production	5,235,443	4,160,395	1,075,048	0	0	0	0	0	0
	Pumping and Storage									
	Booster Stations									
62	Labor & Labor-Related Expenses	254	161	93						
63	Electric Cost	655,458	589,912	65,546						
64	Chemicals & Gas	2,950	2,950							
65	Materials & Supplies	4,190	2,661	1,529						
66	Contractual Services	5,942	3,773	2,169						
67	Total	668,795	599,457	69,337	0	0	0	0	0	0
	Taylor Mill Plant Station									
68	Labor & Labor-Related Expenses	0	0	0						
69	Electric Cost	264,688	238,219	26,469						
70	Materials & Supplies	0	0	0						
71	Contractual Services	0	0	0						
72	Total	264,688	238,219	26,469	0	0	0	0	0	0
	Water Towers									
73	Labor & Labor-Related Expenses	0	0	0	0					
74	Electric Cost	5,969	2,530	1,451	1,988					
75	Materials & Supplies	24	10	6	8					
76	Contractual Services	401,690	170,316	97,611	133,763					
77	Total	407,684	172,857	99,068	135,759	0	0	0	0	0
	Pumping - General									
78	Labor & Labor-Related Expenses	475,535	301,965	173,570						
79	Electric Cost	3,698	3,328	370						
80	Chemicals & Gas	5,134	5,134							
81	Materials & Supplies	89,331	56,725	32,606						
82	Contractual Services	196,255	124,622	71,633						
83	Insurance	43,568	43,568							
84	All Other Expenses	19,275	12,240	7,035						
85	Total	832,795	547,581	285,214	0	0	0	0	0	0
86	Total Pumping and Storage	2,173,961	1,558,114	480,088	135,759	0	0	0	0	0
	Engineering and Distribution									
	Engineering									
87	Labor - Operations	336,577	142,709	81,788	112,080					
88	Labor - Clerk	56,612	24,003	13,757	18,852					
89	Labor - Operations Supervision	289,992	122,957	70,468	96,567					
90	Vacation/Paid time Off	0	0	0	0					
91	Sick Leave	0	0	0	0					
92	Holiday	0	0	0	0					
93	Labor - Cleaning & Lining	12,504	5,302	3,038	4,164					
94	Labor - Structure & Impr	0	0	0	0					
95	Labor - Maintenance of Mains	210	89	51	70					
96	Labor - Newport	0	0	0	0					
97	FICA Taxes	61,829	26,216	15,024	20,589					
98	Pension	74,545	31,607	18,114	24,824					
99	Health Insurance	152,443	64,636	37,044	50,763					
100	Education/ Recreation	15,253	6,467	3,707	5,079					
101	Misc Benefits	0	0	0	0					
102	Materials & Supplies - Eng	4,202	1,782	1,021	1,399					
103	Materials & Supplies - Shop/Tools	6,565	2,784	1,595	2,186					
104	Materials & Supplies - Safety	1,416	600	344	472					
105	Materials & Supplies - Struct & Impr	108	46	26	36					
106	Contract Engineering - Ops	65,894	27,939	16,012	21,943					
107	Contract Engineering - Maint	2,919	1,238	709	972					
108	Contract Serv. - Legal	22,765	9,652	5,532	7,581					
109	Contract Serv. Other - Ops	50,813	21,544	12,348	16,921					
110	Communications	15,878	15,878							
111	Utilities	9,053	9,053							
112	Contract Serv Other - Maint	359	152	87	120					
113	Contract Serv - Struct. & Impr	2,797	1,186	680	931					
114	Auto Gas & Oil	15,731	15,731							
115	Vehicle Maint - Contractors	529	225	128	176					
116	Vehicle Maint - Supplies	3,864	1,638	939	1,287					
117	Insurance - Auto	8,284	3,512	2,013	2,759					
118	Insurance - G/L	46,374	19,663	11,269	15,442					
119	Insurance - Workers Comp	22,391	9,494	5,441	7,456					
120	Miscellaneous Expenses	922	391	224	307					
121	Uniforms	3,204	1,358	779	1,067					
122	Total	1,284,032	567,851	302,138	414,043	0	0	0	0	0

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 12 CONTINUED
 ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE

Line No.	Description	Total	Common to All Customers					Distribution System Customers Only(*)			Public Fire Protection
			Base	Extra Capacity		Metering	Billing	Base	Extra Capacity		
				Max Day	Max Hour				Max Day	Max Hour	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
	Distribution										
123	Labor - Operations	55,982	23,769					32,214			
124	Labor - Clerk	55,198	55,198								
125	Labor - Vehicle Maint	66,904	28,367	16,258	22,279						
126	Labor - Tractor/ Compressor	0	0	0	0						
127	Labor - Grounds Maint	0	0								
128	Labor - Maint Supervision	218,022	47,473	27,208	37,285	(298)	0	40,774	23,368	32,023	
129	Labor - Structure & Impr.	0	0					0			
130	Labor - Maint. of Mains	855,440	153,995	88,257	120,945			208,711	119,615	163,917	
131	Labor - Maint of Services	212,309	90,019	51,591	70,699						
132	Labor - Maint of Meters	(1,552)				(1,552)					
133	Labor - Maint of Hydrants	52,988								52,988	
134	Labor - Maint Of Misc Plant	931	395	226	310						
135	Labor - Newport	35	15	8	12						
136	Labor - Mainline Cleaning & Lining	13,630	2,453	1,406	1,927			3,326	1,906	2,612	
137	Sick Leave	110,821	29,097	13,398	18,360	(134)	0	20,646	10,495	14,383	
138	Holiday	0	0	0	0	0	0	0	0	0	
134	Vacation/Paid Time Off	0	0	0	0	0	0	0	0	0	
139	FICA Taxes	122,620	32,194	14,824	20,314	(148)	0	22,845	11,613	15,914	
140	Pension	153,603	40,330	18,570	25,447	(186)	0	28,617	14,547	19,935	
141	Misc Benefits	89	22	11	15	0	0	17	8	12	
142	Health Insurance	363,004	95,311	43,885	60,139	(439)	0	67,629	34,378	47,111	
143	Education/Recreation	5,772	1,516	698	956	(7)	0	1,075	547	749	
144	Materials & Supplies - Office	7,994	7,994								
145	Materials & Supplies - Shop & Tools	47,867	47,867								
146	Materials & Supplies - Safety	18,120	18,120								
147	Materials & Supplies - Computer	0	0								
148	Materials & Supplies - Struct & Impr.	2,885	1,225					1,660			
149	Materials & Supplies - Maint of Mains	324,290	58,380	33,457	45,849			79,120	45,345	62,139	
150	Materials & Supplies - Services	173,051				173,051					
151	Materials & Supplies - Meters	3,763				3,763					
152	Materials & Supplies - Hydrants	45,221								45,221	
153	Materials & Supplies - Maint of Misc. Plant	5,316	2,254	1,292	1,770						
154	Materials & Supplies - Cleaning & Lining	55,275	23,436	13,432	18,407						
155	Inventory Adjustment	(20,054)	(20,054)								
156	Contract Serv - Engineering	6,366	2,699	1,547	2,120						
157	Contract Serv Other - Ops	13,846	5,870	3,365	4,611						
158	Communications	11,217	11,217								
159	Utilities	23,351	23,351								
160	Contract Computer Svc.	0	0								
161	Contract Serv Other - Maint.	1,966	1,966								
162	Contract Serv - Grounds Maint	3,191	3,191								
163	Contract Serv - Struct & Impr	4,523	815	467	639			1,103	632	867	
164	Contract Serv - Maint of Mains	305,048	54,915	31,472	43,129			74,426	42,654	58,452	
165	Contract Serv - Contractors	53,347	22,619	12,963	17,765						
166	Contract Serv - Maint of Hydrants	2,431								2,431	
167	Contract Serv - Maint of Misc Plant	1,333	565	324	444						
168	Contract Serv - Blow Off Charges	83,407	83,407								
169	Contract Serv - Main Clean & Lining	793,157	142,784	81,831	112,139			193,515	110,906	151,982	
170	Auto Gas & Oil	71,230	71,230								
171	Vehicle Maint - Contractors	27,560	27,560								
172	Vehicle Maint - Supplies	44,214	44,214								
173	Tractor/Compressor Gas & Oil	8,367	8,367								
174	Tractor/Compressor Maint - Contractors	4,259	4,259								
175	Tractor/Compressor Maint - Supplies	8,237	8,237								
176	Insurance - Auto	27,613	27,613								
177	Insurance - G/L	46,374	46,374								
178	Insurance - Workers Comp	42,148	11,094	5,099	6,987	(51)	0	7,835	3,977	5,450	
179	Miscellaneous Expenses	45	19	11	15						
180	Uniforms	9,302	3,944	2,260	3,098						
181	Total	4,542,056	1,345,685	463,860	635,661	173,999	0	783,513	419,991	575,546	
182	Total Engineering and Distribution	5,826,088	1,913,537	765,998	1,049,704	173,999	0	783,513	419,991	575,546	

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 12 CONTINUED
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE

Line No.	Description	Common to All Customers						Distribution System Customers Only(*)			Public Fire Protection
		Total	Base	Extra Capacity		Metering	Billing	Base	Extra Capacity		
				Max Day	Max Hour				Max Day	Max Hour	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
Customer Service											
Meter Reading											
183	Labor & Labor-Related Expenses	266,062					266,062				
184	Materials & Supplies	6,107					6,107				
185	Contractual Services	8,455					8,455				
186	Insurance	15,663					15,663				
187	All Other Expenses	12,863					12,863				
188	Total	309,150	0	0	0	0	309,150	0	0	0	
Field Service											
189	Labor & Labor-Related Expenses	634,736					634,736				
190	Materials & Supplies	12,804					12,804				
191	Contractual Services	3,715					3,715				
192	Insurance	17,900					17,900				
193	All Other Expenses	39,180					39,180				
194	Total	708,335	0	0	0	0	708,335	0	0	0	
Account Service											
195	Labor & Labor-Related Expenses	924,478					924,478				
196	Materials & Supplies	156,208					156,208				
197	Contractual Services	241,898					241,898				
198	Insurance	22,391					22,391				
199	All Other Expenses	6,745					6,745				
	Total	1,351,720	0	0	0	0	1,351,720	0	0	0	
Flushing											
200	Labor & Labor-Related Expenses	272,838	204,628							68,210	
201	Materials & Supplies	8,364	6,273							2,091	
202	Contractual Services	2,875	2,156							719	
203	Insurance	8,950	6,713							2,237	
204	All Other Expenses	16,549	12,412							4,137	
205	Total	309,577	232,182	0	0	0	0	0	0	77,395	
Customer Service - General											
206	Insurance	23,187	12,148	4,492	2,362	347	0	1,564	838	1,149	
207	Bad Debt	431,210	225,919	83,535	43,927	6,458	0	29,082	15,589	21,363	
208	All Other Expenses	69,205	36,258	13,406	7,050	1,037	0	4,667	2,502	3,428	
209	Total	523,601	274,324	101,433	53,339	7,842	0	35,313	18,929	25,940	
210	Courier & Maintenance Labor										
211	Labor & Labor-Related Expenses	52,597					52,597				
212	Materials & Supplies	108					108				
213	Insurance	920					920				
214	All Other Expenses	2,011					2,011				
215	Total	55,635					55,635				
Meter Shop											
216	Labor & Labor-Related Expenses	220,484					220,484				
217	Materials & Supplies	45,528					45,528				
218	Contractual Services	10,980					10,980				
219	Insurance	8,950					8,950				
220	All Other Expenses	4,672					4,672				
221	Total	290,614					290,614				
210	Total Customer Service	3,548,632	506,506	101,433	53,339	298,456	2,424,841	35,313	18,929	25,940	
Administration											
Executive Management											
223	Labor & Labor-Related Expenses	495,412	186,126	79,282	41,876	12,811	110,497	25,058	12,738	17,456	
224	Materials & Supplies	6,621	2,878	1,027	540	206	1,059	357	192	263	
225	Contractual Services	15,770	6,857	2,446	1,286	491	2,521	851	456	625	
226	Insurance	4,872	2,118	756	397	152	779	263	141	193	
227	All Other Expenses	15,853	6,890	2,459	1,293	494	2,535	856	459	629	
228	Total	538,528	204,869	85,970	45,392	14,154	117,391	27,385	13,986	19,166	
Accounting/HR/Info Systems/Safety											
229	Labor & Labor-Related Expenses	847,604	368,475	131,448	69,123	26,405	135,520	45,763	24,530	33,616	
230	Materials & Supplies	71,896	31,255	11,150	5,863	2,240	11,495	3,882	2,081	2,851	
231	Contractual Services	373,135	162,211	57,866	30,430	11,624	59,659	20,146	10,799	14,798	
232	Insurance	16,726	7,272	2,594	1,364	521	2,674	903	484	663	
233	All Other Expenses	9,520	4,138	1,476	776	297	1,522	514	276	378	
234	Total	1,318,881	573,351	204,534	107,556	41,087	210,870	71,208	38,170	52,306	
Board of Commissioners											
235	Labor & Labor-Related Expenses	95,533	41,531	14,815	7,791	2,976	15,274	5,158	2,765	3,789	
236	Insurance	23,200	10,086	3,598	1,892	723	3,709	1,253	671	920	
237	All Other Expenses	3,931	1,709	610	321	122	628	212	114	156	
238	Total	122,664	53,326	19,023	10,004	3,821	19,611	6,623	3,550	4,865	
Administration - Other											
239	Labor & Labor-Related Expenses	9,111	3,960	1,413	743	284	1,457	492	264	361	
240	Materials & Supplies	96,408	41,912	14,951	7,862	3,003	15,414	5,205	2,790	3,824	
241	Contractual Services	261,952	113,879	40,624	21,362	8,160	41,882	14,143	7,581	10,389	
242	Insurance	140,522	61,088	21,792	11,460	4,378	22,467	7,587	4,067	5,573	
243	All Other Expenses	420,807	182,955	65,260	34,317	13,109	67,281	22,720	12,179	16,689	
244	Total	928,801	403,775	144,040	75,744	28,934	148,501	50,147	26,881	36,836	
245	Total Administration	2,908,874	1,235,321	453,567	238,696	87,996	496,373	155,363	82,587	113,173	
246	Total Operation & Maintenance Expense	20,375,306	9,969,394	2,962,921	1,477,498	560,451	2,921,214	974,189	521,507	714,659	
Total O&M Expense											
Less: Other Income											
247	Other Operating Revenue	(1,814,816)	(1,011,242)	(300,543)	(149,870)	(56,849)	(296,312)	0	0	0	
248	Fire Protection Revenue	(58,730)	0	0	0	0	0	0	0	(58,730)	
249	Other Non-Operating Revenue	(98,797)	(50,113)	(18,208)	(9,080)	(3,444)	(17,952)	0	0	0	
250	Total Adjusted O&M Expense	18,402,963	8,908,039	2,644,170	1,318,548	500,158	2,606,950	974,189	521,507	714,659	
251	Distribution	100.0%	48.4%	14.4%	7.2%	2.7%	14.2%	5.3%	2.8%	3.9%	

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 12.1
OPERATION AND MAINTENANCE EXPENSES ALLOCATION FACTORS

Line No.	Cost Component	Allocation Factors			Reference
		Demand Ratio	Base	Max Hour	
1	Base	100.0%			
2	Max Day	157.4%	63.5%		2002 Demand Data - NKWD
3	Max Hour	236.1%	42.4%	33.3%	2002 Demand Data - NKWD
Common To All Customers					
Total			Base	Max Hour	Public Fire Protection
4	Electric Costs	100.00%	90.0%		Electric costs vary with peak electric demands.
5	Flushing Hydrants	100.00%	75.0%		25.0% Primarily to clean water mains and verify they are working properly.
6	Purchased Water	100.00%	100.0%		
7	Chemicals & Gas	100.00%	100.0%		
Transmission & Distribution Lines					
8	Common to All	42.46%	Based on PSC Order 2002-0105		
9	Distribution Only	57.54%	Based on PSC Order 2002-0105		

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 12.2
OPERATION AND MAINTENANCE ALLOCATION PROCEDURES

Line No.	Description	Allocation Procedure
	Licking River Pump Station	
1	Labor	Common to All - Base/Maximum Day
2	Electric Cost	Common to All - 90.00% to Base, Remainder to Max Day
3	Other	Common to All - Base/Maximum Day
	Ohio River Pump Station	
4	Labor	Common to All - Base/Maximum Day
5	Electric Cost	Common to All - 90.00% to Base, Remainder to Max Day
6	Other	Common to All - Base/Maximum Day
	Source of Supply - General	
7	Labor	Common to All - Base/Maximum Day
8	Purchased Water	Common to All - Base
9	Chemicals	Common to All - Base
10	Other	Common to All - Base/Maximum Day
	Fort Thomas Treatment Plant	
11	Labor & Labor-Related Expenses	Common to All - Base/Maximum Day
12	Electric Cost	Common to All - 90.00% to Base, Remainder to Max Day
13	Chemicals & Gas	Common to All - Base
14	Insurance	Common to All - Base
15	Other	Common to All - Base/Maximum Day
	Taylor Mill Treatment Plant	
16	Labor & Labor-Related Expenses	Common to All - Base/Maximum Day
17	Chemicals & Gas	Common to All - Base
18	Insurance	Common to All - Base
19	Other	Common to All - Base/Maximum Day
20	Laboratory	Common to All - Base
	Instrumentation	
21	Labor & Labor-Related Expenses	Common to All - Base/Maximum Day
22	Insurance	Common to All - Base
23	Other	Common to All - Base/Maximum Day
	Project Management	
24	Labor & Labor-Related Expenses	Common to All - Base/Maximum Day
25	Insurance	Common to All - Base
26	Other	Common to All - Base/Maximum Day
27	Sludge	Common to All - Base
	Booster Stations	
28	Labor & Labor-Related Expenses	Common to All - Base/Maximum Day
29	Electric Cost	Common to All - 90.00% to Base, Remainder to Max Day
30	Chemicals & Gas	Common to All - Base
31	Other	Common to All - Base/Maximum Day
	Taylor Mill Plant Station	
32	Labor & Labor-Related Expenses	Common to All - Base/Maximum Day
33	Electric Cost	Common to All - 90.00% to Base, Remainder to Max Day
34	Other	Common to All - Base/Maximum Day
35	Water Towers	Common to All - Base/Maximum Day/Maximum Hour
	Pumping - General	
36	Labor & Labor-Related Expenses	Common to All - Base/Maximum Day
37	Electric Cost	Common to All - 90.00% to Base, Remainder to Max Day
38	Chemicals & Gas	Common to All - Base
39	Insurance	Common to All - Base
40	Other	Common to All - Base/Maximum Day
	Engineering	
41	Labor & Labor-Related Expenses	Common to All - Base/Maximum Day/Maximum Hour
42	Other	Common to All - Base/Maximum Day/Maximum Hour, except for Communications, Utilities, & Auto Gas & Oil - Common to All - Base
	Distribution	
43	Labor - Maint Supervision	Subtotal Maintenance Labor for Mains, Services, Meters, & Hydrants
44	Labor - Maint of Mains, Vehicles, & Services	Base/Maximum Day/Maximum Hour
45	Labor - Maint of Meters	Meters
46	Labor - Maint of Hydrants	Hydrants
47	All Other Labor	Base
48	Labor Related Expenses	Subtotal All Labor
49	Materials & Supplies - Maint of Mains & Misc Plant	Base/Maximum Day/Maximum Hour
50	Materials & Supplies - Services & Meters	Meters
51	Materials & Supplies - Hydrants	Hydrants
52	Contract Serv - Engineering, Other - Ops, S&I, Mains, Main Cleaning, & Contractor	Base/Maximum Day/Maximum Hour
53	Contract Serv - Maint of Meters	Meters
54	Insurance - Workers Comp.	Subtotal All Labor
55	Miscellaneous Expenses & Uniforms	Common to All - Base/Maximum Day/Maximum Hour
56	Other	Common to All - Base
57	Meter Reading	Billing
58	Field Service	Billing
59	Account Service	Billing
60	Flushing	Common to All - 75.00% to Base, Remainder to Public Fire Protection
61	Customer Service - General	Subtotal All Except Purchased Water, Power, & Chemicals
62	Courier & Maintenance	
63	Meter Shop	Meters
	Executive Management	
64	Labor & Labor-Related Expenses	Subtotal All Labor Except Account/HR, Board Members, & Other - Admin
65	Other	Subtotal All Except Purchased Water, Power, & Chemicals
66	Accounting/HR/Info Systems/Safety	Subtotal All Except Purchased Water, Power, & Chemicals
67	Board of Commissioners	Subtotal All Except Purchased Water, Power, & Chemicals
68	Administration - Other	Subtotal All Except Purchased Water, Power, & Chemicals
69	Plus: Salary & Health Insurance Adjustments	Subtotal All Labor & Labor-Related Expenses
70	Plus: Worker's Compensation Adjustments	Subtotal All Insurance
71	Plus: Auto Insurance Adjustments	Subtotal All Insurance
72	Plus: General Liability Insurance Adjustments	Subtotal All Insurance
73	Less: Other Operating & Non-Operating Revenue	Sum of the Above
74	Less: Fire Protection Revenue	Public Fire Protection
75	Less: Boone & Florence Adjustment	Common to All - Base/Maximum Day

NORTHERN KENTUCKY WATER DISTRICT
 May 20, 2005 3:19 p.m.

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE I3
 TEST YEAR UNITS OF SERVICE

Line No.	Customer Class	Total Annual Usage ^(a)		Average Day		Maximum Day		Maximum Hour		Total Accounts ^(a)		Number of Bills		Equivalent 5/8 Inch Hydrants	
		ccf	ccf	ccfd	ccfd	ccfd	ccfd	ccfd	ccfd	ccfd	ccfd	Monthly	Quarterly	Meters	Hydrants
Retail															
Monthly															
1	Residential/Multi Family	227,500	623	1,134	511	1,869	735	2,031	24,369	0	2,098				
2	Commercial	50,700	139	232	93	348	116	42	506	0	102				
3	Industrial	196,800	539	846	307	1,078	232	4	42	0	87				
4	Public Authority	388,100	1,063	1,669	606	2,126	457	20	244	0	234				
5	Total Retail Monthly	863,100	2,365	3,881	1,517	5,421	1,540	2,097	25,161	0	2,521				
Quarterly															
6	Residential/Multi Family	7,495,429	20,535	37,374	16,839	61,605	24,231	71,708	0	286,834	73,362				
7	Commercial	1,884,800	5,164	8,624	3,460	12,910	4,286	4,263	0	17,049	6,869				
8	Industrial	797,100	2,184	3,429	1,245	4,368	939	113	0	451	645				
9	Public Authority	395,600	1,084	1,734	650	2,710	976	440	0	1,760	1,532				
10	Total Retail Quarterly	10,572,929	28,967	51,161	22,194	81,593	30,432	76,523	0	306,094	82,408				
11	Total Retail	11,436,029	31,332	55,042	23,711	87,014	31,972	78,620	25,161	306,094	84,929				
Wholesale															
12	Bullock Pen	106,700	292	458	166	584	126	1	12	0	21				
13	City of Walton	208,800	572	898	326	1,144	246	1	12	0	14				
14	Pendleton County Water District	1,10,500	303	476	173	606	130	1	12	0	35				
15	Total Wholesale	426,000	1,167	1,832	665	2,334	502	3	36	0	70				
Fire Protection															
16	Public	0	0	0	0	0	0	0	0	0	8,272				
17	Private	0	0	0	0	0	0	432	0	1,726	529				
18	Total Fire Protection	0	0	0	0	0	0	432	0	1,726	0				
19	Total System	11,862,029	32,499	56,874	24,376	89,348	32,474	79,054	25,197	307,820	84,999				
											8,801				
											8,801				

(a) Adjusted by bill tabulation adjustment factors for each customer class. Bill tabulation adjustment factor for overall system is 98.4%.

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 13.1
 TEST YEAR NUMBER OF BILLS AND EQUIVALENT METERS

Equivalent Meters	Test Year Number of Bills by Meter Size										Total Bills	Equivalent Meters	
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"			
Retail													
Monthly													
Residential/Multi Family	23,692	6	308	260	82	10	0	11	0	0	0	24,369	2,098
Commercial	382	9	25	9	32	9	35	5	0	0	0	506	102
Industrial	0	0	0	0	11	0	0	10	0	21	42	42	87
Public Authorities	26	0	6	24	61	22	57	12	12	24	244	244	234
Total	24,100	15	339	293	186	41	92	38	12	45	25,161	25,161	2,521
Quarterly													
Residential/Multi Family	280,425	1,590	3,037	1,094	496	33	40	95	24	0	0	286,834	73,362
Commercial	11,217	128	2,224	1,279	1,846	154	114	58	29	0	0	17,049	6,869
Industrial	73	2	35	48	163	56	48	18	8	0	0	451	645
Public Authorities	623	4	232	135	510	151	66	33	6	0	0	1,760	1,532
Total	292,338	1,724	5,528	2,556	3,015	394	268	204	67	0	306,094	306,094	82,408
Total Retail	316,438	1,739	5,867	2,849	3,201	435	360	242	79	45	331,255	331,255	84,929
Wholesale													
Bullock Pen	0	0	0	0	0	0	0	12	0	0	0	12	21
City of Walton	0	0	0	0	0	0	12	0	0	0	0	12	14
Pendleton County Water District	0	0	0	0	0	0	12	12	0	0	0	12	35
Total Wholesale	0	0	0	0	0	0	24	24	0	0	36	36	70
Total System	316,438	1,739	5,867	2,849	3,201	435	384	266	79	45	331,291	331,291	84,999

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 13.2
 NUMBER OF BILLS BY METER SIZE DETAIL

	Number of Bills by Meter Size (2004 Bill Tab Analysis)										Total	
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"		
RETAIL												
Monthly												
Residential/Multi Family	24,225	6	315	266	84	10	0	11	0	0	0	24,917
Commercial	488	12	32	12	41	11	45	6	0	0	0	647
Industrial	0	0	0	0	12	0	0	11	0	24	24	47
Public Authority	26	0	6	24	60	22	56	12	12	24	24	242
Subtotal	24,739	18	353	302	197	43	101	40	12	48	48	25,853
Quarterly												
Residential/Multi Family	273,983	1,553	2,967	1,069	485	32	39	93	23	0	0	280,244
Commercial	12,058	138	2,391	1,375	1,984	166	123	62	31	0	0	18,328
Industrial	75	2	36	49	167	57	49	18	8	0	0	461
Public Authority	632	4	235	137	517	153	67	33	6	0	0	1,784
Subtotal	286,748	1,697	5,629	2,630	3,153	408	278	206	68	0	0	300,817
Wholesale (Pendleton)	0	0	0	0	0	0	24	24	0	0	0	48
Total	311,487	1,715	5,982	2,932	3,350	451	403	270	80	48	48	326,718

	Percentage Distribution										Total	
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"		
RETAIL												
Monthly												
Residential/Multi Family	97.2%	0.0%	1.3%	1.1%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Commercial	75.4%	1.9%	4.9%	1.9%	6.3%	1.7%	7.0%	0.9%	0.0%	0.0%	0.0%	100.0%
Industrial	0.0%	0.0%	0.0%	0.0%	25.5%	0.0%	0.0%	23.4%	0.0%	51.1%	0.0%	100.0%
Public Authority	10.7%	0.0%	2.5%	9.9%	24.8%	9.1%	23.1%	5.0%	5.0%	9.9%	0.0%	100.0%
Quarterly												
Residential/Multi Family	97.8%	0.6%	1.1%	0.4%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Commercial	65.8%	0.8%	13.0%	7.5%	10.8%	0.9%	0.7%	0.3%	0.2%	0.0%	0.0%	100.0%
Industrial	16.3%	0.4%	7.8%	10.6%	36.2%	12.4%	10.6%	3.9%	1.7%	0.0%	0.0%	100.0%
Public Authority	35.4%	0.2%	13.2%	7.7%	29.0%	8.6%	3.8%	1.8%	0.3%	0.0%	0.0%	100.0%

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 13.3

VOLUME AND AVERAGE NUMBER OF ACCOUNTS BY CUSTOMER CLASS DETAIL

Description	Test Year(a) (b)	
	Annual Usage ccf	Accounts
Retail		
Monthly		
Residential/Multi Family	227,500	2,031
Commercial	50,700	42
Industrial	196,800	4
Public Authority	388,100	20
Total	863,100	2,097
Quarterly		
Residential/Multi Family	7,495,429	71,708
Commercial	1,884,800	4,263
Industrial	797,100	113
Public Authority	395,600	440
Total	10,572,929	76,523
Wholesale		
Bullock Pen	106,700	1
City of Walton	208,800	1
Pendleton County	110,500	1
Total	426,000	3
Total System	11,862,029	78,623

(a) Adjusted by bill tabulation adjustment factors for each customer class. Bill tabulation adjustment factor for overall system is 98.4%.
(b) Includes new customer connections along extensions into presently unserved areas.

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 13.4
 TEST YEAR WEATHER NORMALIZATION ADJUSTMENT

Residential Customer Class

	<u>Usage - Mgal</u> <i>Mgal</i>	<u>Avg Accts</u>	<u>Mgal/Acct</u>	<u>Ccf/Acct</u>	<u>Data for Williamstown, KY</u>		
					<u>Rainfall</u> <i>inches</i>	<u>% of Avg</u>	
2004	4,196,478	67,712	62.0	82.8	46.6	7%	positive
2003	3,962,000	63,828	62.1	83.0	49.1	12%	% of Avg
2002	4,180,414	60,749	68.8	92.0	41.9	-4%	indicates
2001	4,325,146	57,494	75.2	100.6	44.0	1%	wet
2000	4,610,418	56,003	82.3	110.1	42.9	-2%	year
1999	4,441,128	54,433	81.6	109.1			
2000-2002 Results	13,115,978	174,245	75.3	101.6			
Difference from 2004			13.3	18.8			
Adjustment Used				15.0			

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 13.5
 TEST YEAR EQUIVALENT FIRE HYDRANTS

Size (in inches)	Relative Flow Capacity Factor	Equivalent Hydrant Ratio	Public Fire Hydrants		Private Fire Connections		Total Equivalent Fire Hydrants
			Retail	Wholesale	Retail	Wholesale	
2	6.2	0.06	0	0	3	0	
3	18.0	0.16	0	0	4	0	
4	38.3	0.34	0	0	112	0	
6	111.3	1.00	8,272	0	196	0	
8	237.2	2.13	0	0	91	0	
10	426.6	3.83	0	0	21	0	
12	689.0	6.19	0	0	3	0	
Total			8,272	0	432	0	
Equivalent Fire Hydrants			8,272	0	529	0	8,801
Estimated Fire Demand							
Maximum Fire Flow (gpm)		0					
Fire Duration (hours/day)		2					
Fire Protection Demands (1,000 gallons/day)							
Maximum Day		0					
Maximum Hour		0					
Fire Protection Demands (ccf/day)							
Maximum Day		0					
Maximum Hour		0					

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 14
TEST YEAR UNIT COST OF SERVICE

Line No.	Customer Class	Total Cost of Service \$	Common to All Customers						Distribution System Customers Only(*)			
			Base Ccf	Max Day Ccf/day	Extra Capacity Ccf/day	Max Hour Ccf/day	Metering Eq. Meters	Billing Bills	Base \$	Max Day \$	Extra Capacity Max Hour \$	Public Fire Protection Eq. Hydrants
Number of Units												
1	Retail		11,436,029	23,711	31,972	84,929	331,255	11,436,029	23,711	31,972	0	
2	Wholesale		426,000	665	502	70	36				0	
3	Fire Protection											
4	Public		0	0	0	0	0	0	0	0	8,272	
5	Private		0	0	0	0	1,726	0	0	0	529	
6	Total		11,862,029	24,376	32,474	84,999	333,017	11,436,029	23,711	31,972	8,801	
Costs of Service												
Net Operation and Maintenance Expense												
7	Total Cost	18,402,963	8,908,039	2,644,170	1,318,548	500,158	2,606,950	974,189	521,507	714,659	214,744	
8	Unit Cost - \$/Unit		0.75097	108.47431	40.60319	5.88429	7.82828	0.08519	21.99431	22.35265	24.40009	
Depreciation Expense												
9	Total Cost	5,328,876	2,016,190	1,158,777	62,671	773,328	190,834	423,502	242,715	332,611	128,248	
10	Unit Cost - \$/Unit		0.16997	47.53762	1.92988	9.09811	0.57305	0.03703	10.23639	10.40320	14.57210	
Debt Service												
11	Total Cost	11,244,319	5,015,772	2,872,781	120,298	1,306,787	99,059	667,868	382,763	524,529	254,462	
12	Unit Cost - \$/Unit		0.42284	117.85285	3.70444	15.37418	0.29746	0.05840	16.14285	16.40589	28.91307	
Debt Service Coverage												
13	Total Cost	2,248,864	1,097,569	628,632	26,324	285,956	21,676	146,145	83,758	114,779	53,522	
14	Unit Cost - \$/Unit		0.09253	25.78897	0.81062	3.36424	0.06509	0.01278	3.53245	3.58998	6.08140	
15	Total Unit Cost - \$/Unit		1.43631	299.65375	47.04813	33.72082	8.76388	0.19340	51.90600	52.75172	73.96666	
Total Cost of Service - \$												
16	Retail	35,930,985	16,425,702	7,105,090	1,504,223	2,863,869	2,903,077	2,211,703	1,230,743	1,686,578	0	
17	Wholesale	837,432	611,868	199,270	23,618	2,360	315	0	0	0	0	
Fire Protections												
18	Public	611,852	0	0	0	0	0	0	0	0	611,852	
19	Private	54,250	0	0	0	0	15,126	0	0	0	39,123	
20	Total Cost of Service	37,434,519	17,037,570	7,304,360	1,527,841	2,866,229	2,918,519	2,211,703	1,230,743	1,686,578	650,976	

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 15
DISTRIBUTION OF COSTS TO CUSTOMER CLASSES

Line No.	Customer Class	Total Cost of Service \$	Common to All Customers					Distribution System Customers Only(*)			Public Fire Protection Eq Hydrants
			Base Ccf	Extra Capacity		Metering Eq Meters	Billing Bills	Base Ccf	Extra Capacity		
				Max Day Ccf/day	Max Hour Ccf/day				Max Day Ccf/day	Max Hour Ccf/day	
Unit Cost of Service - \$/unit											
1	Retail		1 43631	299 65375	47 04813	33 72082	8 76388	0 19340	51 90600	52 75172	73 96666
2	Wholesale		1 43631	299 65375	47 04813	33 72082	8 76388	0 19340	51 90600	52 75172	73 96666
Retail											
Monthly											
Residential/Multi Family											
3	Units of Service		227,500	511	735	2,098	24,369	227,500	511	735	0
4	Allocated Cost - \$	908,075	326,761	153,123	34,580	70,748	213,567	43,999	26,524	38,773	0
Commercial											
5	Units of Service		50,700	93	116	102	506	50,700	93	116	0
6	Allocated Cost - \$	134,789	72,821	27,868	5,458	3,456	4,435	9,805	4,827	6,119	0
Industrial											
7	Units of Service		196,800	307	232	87	42	196,800	307	232	0
8	Allocated Cost - \$	455,099	282,666	91,994	10,915	2,922	368	38,061	15,935	12,238	0
Public Authority											
9	Units of Service		388,100	606	457	234	244	388,100	606	457	0
10	Allocated Cost - \$	901,169	557,432	181,590	21,501	7,886	2,138	75,059	31,455	24,108	0
11	Total Retail - Monthly	2,399,132	1,239,680	454,575	72,454	85,012	220,508	166,924	78,741	81,238	0
Quarterly											
Residential/Multi Family											
12	Units of Service		7,495,429	16,839	24,231	73,362	286,834	7,495,429	16,839	24,231	0
13	Allocated Cost - \$	25,541,135	10,765,778	5,045,869	1,140,024	2,473,823	2,513,778	1,449,591	874,045	1,278,226	0
Commercial											
14	Units of Service		1,884,800	3,460	4,286	6,869	17,049	1,884,800	3,460	4,286	0
15	Allocated Cost - \$	5,096,859	2,707,157	1,036,802	201,648	231,628	149,415	364,520	179,595	226,094	0
Industrial											
16	Units of Service		797,100	1,245	939	645	451	797,100	1,245	939	0
17	Allocated Cost - \$	1,856,160	1,144,883	373,069	44,178	21,761	3,953	154,159	64,623	49,534	0
Public Authority											
18	Units of Service		395,600	650	976	1,532	1,760	395,600	650	976	0
19	Allocated Cost - \$	1,037,701	568,204	194,775	45,919	51,645	15,424	76,509	33,739	51,486	0
20	Total Retail - Quarterly	33,531,855	15,186,022	6,650,515	1,431,769	2,778,857	2,682,570	2,044,779	1,152,002	1,605,340	0
21	Total Retail	35,930,987	16,425,702	7,105,090	1,504,223	2,863,869	2,903,078	2,211,703	1,230,743	1,686,578	0
Wholesale											
22	Units of Service		426,000	665	502	70	36				0
23	Allocated Cost - \$	837,431	611,868	199,270	23,618	2,360	315				0
Fire Protection											
Public											
24	Units of Service		0	0	0	0	0				8,272
25	Allocated Cost - \$	611,852	0	0	0	0	0				611,852
Private											
26	Units of Service		0	0	0	0	1,726				529
27	Allocated Cost - \$	54,249	0	0	0	0	15,126				39,123
28	Total Fire Protection	666,101	0	0	0	0	15,126				650,975
29	Total System	37,434,519	17,037,570	7,304,360	1,527,841	2,866,229	2,918,519	2,211,703	1,230,743	1,686,578	650,976

* The allocation of main investment costs is in accordance with the PSC's Order 2002-0105

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 15.1
ADJUSTED COST OF SERVICE ALLOCATION TO CUSTOMER CLASSES

Line No.	Description	Initial Allocated Cost of Service \$	Reallocation of Fire Protection Costs		Adjusted Cost of Service \$
			% COS	Adjustment \$	
	Retail				
	Monthly				
1	Residential/Multi Family	908,075	2.5%	16,834	924,909
2	Commercial	134,789	0.4%	2,499	137,288
3	Industrial	455,099	1.3%	8,437	463,536
4	Public Authority	901,169	2.5%	16,706	917,875
5	Total	2,399,132	6.7%	44,476	2,443,608
	Quarterly				
6	Residential/Multi Family	25,541,135	71.1%	473,491	26,014,625
7	Commercial	5,096,859	14.2%	94,487	5,191,346
8	Industrial	1,856,160	5.2%	34,410	1,890,570
9	Public Authority	1,037,701	2.9%	19,237	1,056,938
10	Total	33,531,855	93.3%	621,625	34,153,480
11	Total Retail	35,930,987	100.0%	666,101	36,597,088
12	Wholesale	837,431		0	837,431
	Fire Protection				
13	Public	611,852		(611,852)	0
14	Private	54,249		(54,249)	0
15	Total Fire Protection	666,101	0.0%	(666,101)	0
16	Total System	37,434,519		0	37,434,519

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 16
PROPOSED RATES

Service Charge

Meter Size	Monthly	Quarterly
	Service Charge	Service Charge
5/8"	11.76	17.24
3/4"	12.13	18.10
1"	13.15	20.67
1 1/2"	14.75	24.16
2"	18.39	33.58
3"	42.91	102.29
4"	53.66	128.15
6"	79.35	188.64
8"	106.92	257.34
10" and larger	142.39	335.72

Commodity Charges

	Monthly Block	Quarterly Block	
	ccf	ccf	
First	15	45	\$2.86 per ccf
Next	1,635	4,905	\$2.48 per ccf
Over	1,650	4,950	\$2.32 per ccf
Wholesale			\$1.94 per ccf

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 16.1
DEVELOPMENT OF SERVICE CHARGE

Meter Size	Monthly						
	Customer	Meter Portion	Meter Ratio	Equivalent	Fire Protection		Total
	Billing			Meter	Equivalent	Fire Protection	Service
	Cost	Cost	Cost	Capacity	Charge	Charge	
\$/bill	\$/bill	\$/bill	\$/bill	\$/bill	\$/bill	\$/bill	
Unit Cost	8.76388	2.81007				2,096.75000	
5/8"	8.76	2.81	1.00	2.81	1.00	0.19	11.76
3/4"	8.76	2.81	1.10	3.09	1.50	0.28	12.13
1"	8.76	2.81	1.40	3.93	2.50	0.46	13.15
1 1/2"	8.76	2.81	1.80	5.06	5.00	0.93	14.75
2"	8.76	2.81	2.90	8.15	8.00	1.48	18.39
3"	8.76	2.81	11.00	30.91	17.50	3.24	42.91
4"	8.76	2.81	14.00	39.34	30.00	5.56	53.66
6"	8.76	2.81	21.00	59.01	62.50	11.58	79.35
8"	8.76	2.81	29.00	81.49	90.00	16.67	106.92
10" and larger	8.76	2.81	38.00	106.78	145.00	26.85	142.39

Meter Size	Quarterly						
	Customer	Meter Portion	Meter Ratio	Equivalent	Fire Protection		Total
	Billing			Meter	Equivalent	Fire Protection	Service
	Cost	Cost	Cost	Capacity	Charge	Charge	
\$/bill	\$/bill	\$/bill	\$/bill	\$/bill	\$/bill	\$/bill	
Unit Cost	8.76388	8.43021				76,523.50000	
5/8"	8.76	8.43	1.00	8.43	1.00	0.05	17.24
3/4"	8.76	8.43	1.10	9.27	1.50	0.07	18.10
1"	8.76	8.43	1.40	11.80	2.50	0.11	20.67
1 1/2"	8.76	8.43	1.80	15.17	5.00	0.23	24.16
2"	8.76	8.43	2.90	24.45	8.00	0.37	33.58
3"	8.76	8.43	11.00	92.73	17.50	0.80	102.29
4"	8.76	8.43	14.00	118.02	30.00	1.37	128.15
6"	8.76	8.43	21.00	177.03	62.50	2.85	188.64
8"	8.76	8.43	29.00	244.47	90.00	4.11	257.34
10" and larger	8.76	8.43	38.00	320.34	145.00	6.62	335.72

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 16.2
DEVELOPMENT OF COMMODITY CHARGE

Line No.	Customer Class	Adjusted Allocated Cost of Service \$	Less Revenue From Service Charge \$	Less Revenue From Other Sources ^(a) \$	Revenue to be Recovered from Volume Charge \$	Test Year Annual Usage ccf	Cost of Service Rate \$/ccf
Retail							
Monthly							
1	Residential/Multi Family	924,909	289,386	0	635,523	227,500	2.7935
2	Commercial	137,288	8,312	5,081	123,895	50,700	2.4437
3	Industrial	463,536	3,986	0	459,550	196,800	2.3351
4	Public Authority	917,875	11,516	0	906,359	388,100	2.3354
5	Total Retail - Monthly	2,443,608	313,200	5,081	2,125,327	863,100	2.4624
Quarterly							
6	Residential/Multi Family	26,014,625	5,001,767	0	21,012,858	7,495,429	2.8034
7	Commercial	5,191,346	383,324	0	4,808,022	1,884,800	2.5509
8	Industrial	1,890,570	25,986	0	1,864,584	797,100	2.3392
9	Public Authority	1,056,938	67,669	0	989,269	395,600	2.5007
10	Total Retail - Quarterly	34,153,480	5,478,746	0	28,674,734	10,572,929	2.7121
11	Total Retail	36,597,088	5,791,946	5,081	30,800,061	11,436,029	2.6932
12	Wholesale	837,431	3,192	0	834,239	426,000	1.9583
13	Total System	37,434,519	5,795,138	5,081	31,634,300	11,862,029	2.6669
Combined Customer Classes							
Retail							
14	Residential/Multi Family	26,939,535	5,291,153	0	21,648,382	7,722,929	2.8031
15	Commercial/Public Authority	7,303,448	470,821	5,081	6,827,546	2,719,200	2.5109
16	Industrial	2,354,106	29,972	0	2,324,134	993,900	2.3384
17	Total Retail	36,597,088	5,791,946	5,081	30,800,061	11,436,029	2.6932
18	Wholesale	837,431	3,192	0	834,239	426,000	1.9583
19	Total System	37,434,519	5,795,138	5,081	31,634,300	11,862,029	2.6669

(a) Includes Bulk Loading Sales

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 16.3
DEVELOPMENT OF REVENUES FROM SERVICE CHARGE

	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Total Service Charge Revenue
Retail Monthly											
Retail Monthly	11.76	12.13	13.15	14.75	18.39	42.91	53.66	79.35	106.92	142.39	0
Retail Quarterly	17.24	18.10	20.67	24.16	33.58	102.29	128.15	188.64	257.34	335.72	0
Wholesale Monthly	11.76	12.13	13.15	14.75	18.39	42.91	53.66	79.35	106.92	142.39	0
Wholesale Quarterly	17.24	18.10	20.67	24.16	33.58	102.29	128.15	188.64	257.34	335.72	0
Residential/Multi Family											
Residential/Multi Family	278,618	73	4,050	3,835	1,508	429	0	873	0	0	289,386
Commercial	4,492	109	329	133	588	386	1,878	397	0	0	8,312
Industrial	0	0	0	0	202	0	0	794	0	2,990	3,986
Public Authorities	306	0	79	354	1,122	944	3,059	952	1,283	3,417	11,516
Total	283,416	182	4,458	4,322	3,420	1,759	4,937	3,016	1,283	6,407	313,200
Quarterly											
Residential/Multi Family	4,834,527	28,779	62,775	26,431	16,656	3,376	5,126	17,921	6,176	0	5,001,767
Commercial	193,381	2,317	45,970	30,901	61,989	15,753	14,609	10,941	7,463	0	383,324
Industrial	1,259	36	723	1,160	5,474	5,728	6,151	3,396	2,059	0	25,986
Public Authorities	10,741	72	4,795	3,262	17,126	15,446	8,458	6,225	1,544	0	67,669
Total	5,039,908	31,204	114,263	61,754	101,245	40,303	34,344	38,483	17,242	0	5,478,746
Total Retail	5,323,324	31,386	118,721	66,076	104,665	42,062	39,281	41,499	18,525	6,407	5,791,946
Wholesale											
Bullock Pen	0	0	0	0	0	0	0	952	0	0	952
City of Walton	0	0	0	0	0	0	644	0	0	0	644
Pendleton County	0	0	0	0	0	0	644	952	0	0	1,596
Total Wholesale	0	0	0	0	0	0	1,288	1,904	0	0	3,192
Total System	5,323,324	31,386	118,721	66,076	104,665	42,062	40,569	43,403	18,525	6,407	5,795,138

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 16.4
 DEVELOPMENT OF BLOCK RATES

Water Usage Distribution			
	To 1,500 cf	To 165,000 cf	Over 165,000 cf
Monthly			
Residential/Multi Family	62.20%	37.80%	0.00%
Commercial	6.41%	92.45%	1.14%
Industrial	0.25%	25.65%	74.10%
Public Authority	0.62%	29.85%	69.53%
	To 4,500 cf	To 495,000 cf	Over 495,000 cf
Quarterly			
Residential/Multi Family	84.46%	14.91%	0.63%
Commercial	21.42%	67.39%	11.19%
Industrial	1.97%	52.53%	45.50%
Public Authority	10.96%	81.91%	7.13%
First 15 ccf		2.86	\$ per ccf
Next 1,635 ccf		2.48	\$ per ccf
Over 1,650 ccf		2.32	\$ per ccf
Wholesale		1.94	\$ per ccf

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 16.5
EXISTING RATES

		Effective Aug 1, 2004	
		Monthly	Quarterly
		\$	\$
Service Charge			
	5/8"	10.33	15.37
	3/4"	10.68	16.16
	1"	11.61	18.53
	1 1/2"	13.05	21.72
	2"	16.38	30.36
	3"	38.84	93.42
	4"	48.63	117.14
	6"	72.03	172.60
	8"	97.18	235.61
	10"	129.43	307.44
Volume Charge			
		\$/ccf	\$/1,000 gal
	First 0 ccf	2.63	3.52
	Next 15 ccf	2.63	3.52
	Next 1,635 ccf	2.23	2.98
	Over 1,650 ccf	2.08	2.78
	Wholesale	1.80	2.41

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 17
COMPARISON OF REVENUES UNDER EXISTING RATES
AND ALLOCATED COST OF SERVICE(*)

Line No.	Description	Allocated Cost of Service	Adjusted Cost of Service	Revenue Under Existing Rates	Indicated Percent Change
		\$	\$	\$	%
Retail					
Monthly					
1	Residential/Multi Family	908,075	924,909	818,221	13.04%
2	Commercial	134,789	137,288	121,660	12.85%
3	Industrial	455,099	463,536	425,883	8.84%
4	Public Authority	901,169	917,875	836,361	9.75%
5	Total Retail - Monthly	<u>2,399,132</u>	<u>2,443,608</u>	<u>2,202,125</u>	10.97%
Quarterly					
6	Residential/Multi Family	25,541,135	26,014,625	23,700,663	9.76%
7	Commercial	5,096,859	5,191,346	4,677,054	11.00%
8	Industrial	1,856,160	1,890,570	1,753,065	7.84%
9	Public Authority	1,037,701	1,056,938	956,596	10.49%
10	Total Retail - Quarterly	<u>33,531,855</u>	<u>34,153,480</u>	<u>31,087,378</u>	9.86%
11	Total Retail	<u>35,930,987</u>	<u>36,597,088</u>	<u>33,289,503</u>	9.94%
12	Wholesale	837,431	837,431	769,696	8.80%
Fire Protection^(a)					
13	Public	611,852	0	0	0.00%
14	Private	54,249	0	0	0.00%
15	Total Fire Protection	<u>666,101</u>	<u>0</u>	<u>0</u>	0.00%
16	Total System	<u>37,434,519</u>	<u>37,434,519</u>	<u>34,059,199</u>	9.91%

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

(a) Private fire protection revenues applied as a credit against total fire protection costs.

File: RateCase05
 Sch17_1a - Revenue Under Existing Rates

NORTHERN KENTUCKY WATER DISTRICT
 May 20, 2005 3:20 p.m.

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 17.1
 REVENUE UNDER EXISTING RATES

Residential/Multi Family
 Volume Charge

	Monthly Accounts				Quarterly Accounts					
	% Dist.	Volume ccf	Rate (\$/ccf)	Adjusted Revenue	Bill Tab Adj. Factor	% Dist.	Volume ccf	Rate (\$/ccf)	Adjusted Revenue	Bill Tab Adj. Factor
	62.20%	141,502	2.63	372,151		84.46%	6,330,560	2.63	16,649,372	
	37.80%	85,998	2.23	191,775		14.91%	1,117,472	2.23	2,491,963	
	0.00%	0	2.08	0		0.63%	47,397	2.08	98,585	
	100.00%	227,500		563,926	98.05%	100.00%	7,495,429		19,239,920	100.82%

Service Charge

	Monthly Bills					Quarterly Bills				
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Bills	23,692	6	308	260	82	10	0	11	0	0
Service Charge	10.33	10.68	11.61	13.05	16.38	38.84	48.63	72.03	97.18	129.43
Bills	71,709	1,590	3,037	1,094	496	33	40	95	24	0
Service Charge	15.37	16.16	18.53	21.72	30.36	93.42	117.14	172.60	235.61	307.44

Total Revenue Under Existing Rates

	Monthly	Quarterly
Volume Charge	563,926	19,239,920
Service Charge	254,295	4,460,743
Total Charge	818,221	23,700,663

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 17.1 CONTINUED
 REVENUE UNDER EXISTING RATES

	Monthly Accounts				Quarterly Accounts					
	% Dist.	Volume ccf	Rate (\$/ccf)	Adjusted Revenue	Bill Tab Adj. Factor	% Dist.	Volume ccf	Rate (\$/ccf)	Adjusted Revenue	Bill Tab Adj. Factor
Commercial	6.41%	3,250	2.63	8,547		21.42%	403,736	2.63	1,061,825	
Volume Charge	92.45%	46,870	2.23	104,520		67.39%	1,270,151	2.23	2,832,437	
	1.14%	580	2.08	1,207		11.19%	210,913	2.08	438,699	
	100.00%	50,700		114,274	76.66%	100.00%	1,884,800		4,332,961	90.20%

Service Charge

	Monthly Bills						Quarterly Bills			
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Bills	382	9	25	9	32	9	35	5	0	0
Service Charge	10.33	10.68	11.61	13.05	16.38	38.84	48.63	72.03	97.18	129.43
Bills	4,262	128	2,224	1,279	1,846	154	114	58	29	0
Service Charge	15.37	16.16	18.53	21.72	30.36	93.42	117.14	172.60	235.61	307.44

Total Revenue Under Existing Rates

	Monthly	Quarterly
Volume Charge	114,274	4,332,961
Service Charge	7,386	344,093
	121,660	4,677,054

NORTHERN KENTUCKY WATER DISTRICT
 May 20, 2005 3:20 p.m.

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 17.1 CONTINUED
 REVENUE UNDER EXISTING RATES

Public Authority
 Volume Charge

	Monthly Accounts				Quarterly Accounts					
	% Dist.	Volume ccf	Rate (\$/ccf)	Adjusted Revenue	Bill Tab Adj. Factor	% Dist.	Volume ccf	Rate (\$/ccf)	Adjusted Revenue	Bill Tab Adj. Factor
	0.62%	2,404	2.63	6,322		10.96%	43,347	2.63	114,003	
	29.85%	115,841	2.23	258,325		81.91%	324,031	2.23	722,589	
	69.53%	269,856	2.08	561,300		7.13%	28,222	2.08	58,702	
	100.00%	388,100		825,947	96.85%	100.00%	395,600		895,294	98.64%

Service Charge

	Monthly Bills						Quarterly Bills									
	5/8"	3/4"	1"	1 1/2"	2"	3"	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Bills	26	0	6	24	61	22	623	4	232	135	510	151	66	33	6	0
Service Charge	10.33	10.68	11.61	13.05	16.38	38.84	15.37	16.16	18.53	21.72	30.36	93.42	117.14	172.60	235.61	307.44

Total Revenue Under Existing Rates

	Monthly	Quarterly
Volume Charge	825,947	895,294
Service Charge	10,414	61,302
Total	836,361	956,596

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 18
COMPARISON OF REVENUES UNDER PROPOSED RATES
AND ALLOCATED COST OF SERVICE(*)

Line No.		Adjusted Allocated Cost of Service	Projected Revenues Under Proposed Rates	Proposed Revenue As % of Allocated Cost of Service
		\$	\$	%
	Retail			
	Monthly			
1	Residential/Multi Family	924,909	907,400	98.1%
2	Commercial	137,288	135,100	98.4%
3	Industrial	463,536	470,700	101.5%
4	Public Authority	917,875	931,800	101.5%
5	Total Retail - Monthly	<u>2,443,608</u>	<u>2,445,000</u>	100.1%
	Quarterly			
6	Residential/Multi Family ^(a)	26,014,625	25,988,500	99.9%
7	Commercial	5,191,346	5,177,300	99.7%
8	Industrial	1,890,570	1,950,800	103.2%
9	Public Authority	1,056,938	1,060,800	100.4%
10	Total Retail - Quarterly	<u>34,153,480</u>	<u>34,177,400</u>	100.1%
11	Total Retail	36,597,088	36,622,400	100.1%
12	Wholesale	837,431	829,600	99.1%
	Fire Protection			
13	Public	0	0	0.0%
14	Private	0	0	0.0%
15	Total Fire Protection	<u>0</u>	<u>0</u>	0.0%
16	Total System	37,434,519	37,452,000	100.0%

*The allocation of main investment costs is in accordance with the PSC's Order 2002-0105.

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 18.1
 REVENUE UNDER PROPOSED RATES BY CUSTOMER CLASS

Residential/Multi Family
 Volume Charge

	Monthly Accounts			Quarterly Accounts			
	% Dist.	Volume ccf	Rate (\$/ccf)	% Dist.	Volume ccf	Rate (\$/ccf)	Revenue
	62.20%	141,502	2.86	84.46%	6,330,560	2.86	18,105,400
	37.80%	85,998	2.48	14.91%	1,117,472	2.48	2,771,300
	0.00%	0	2.32	0.63%	47,397	2.32	110,000
	100.00%	227,500		100.00%	7,495,429		20,986,700

Service Charge

	Number of Bills									
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Monthly Accounts	23,692	6	308	260	82	10	0	11	0	0
Quarterly Accounts	280,425	1,590	3,037	1,094	496	33	40	95	24	0
Service Charge - Monthly	11.76	12.13	13.15	14.75	18.39	42.91	53.66	79.35	106.92	142.39
Service Charge - Quarterly	17.24	18.10	20.67	24.16	33.58	102.29	128.15	188.64	257.34	335.72

Total Revenue Under Proposed Rates

Volume Charge	618,000	20,986,700
Service Charge	289,400	5,001,800
Total	907,400	25,988,500

Commercial
 Volume Charge

	Monthly Accounts			Quarterly Accounts			
	% Dist.	Volume ccf	Rate (\$/ccf)	% Dist.	Volume ccf	Rate (\$/ccf)	Revenue
	6.41%	3,250	2.86	21.42%	403,736	2.86	1,154,700
	92.45%	46,870	2.48	67.39%	1,270,151	2.48	3,150,000
	1.14%	580	2.32	11.19%	210,913	2.32	489,300
	100.00%	50,700		100.00%	1,884,800		4,794,000

Service Charge

	Number of Bills									
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
Monthly Accounts	382	9	25	9	32	9	35	5	0	0
Quarterly Accounts	11,217	128	2,224	1,279	1,846	154	114	58	29	0
Service Charge - Monthly	11.76	12.13	13.15	14.75	18.39	42.91	53.66	79.35	106.92	142.39
Service Charge - Quarterly	17.24	18.10	20.67	24.16	33.58	102.29	128.15	188.64	257.34	335.72

Total Revenue Under Proposed Rates

Volume Charge	126,800	4,794,000
Service Charge	8,300	383,300
Total	135,100	5,177,300

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 18.1 CONTINUED
 REVENUE UNDER PROPOSED RATES BY CUSTOMER CLASS

Wholesale
 Volume Charge

		Monthly Accounts		
% Dist.	Volume ccf	Rate (\$/ccf)	Revenue	
100.00%	426,000	1.94	826,400	
0.00%	0		0	
0.00%	0		0	
100.00%	426,000		826,400	

Service Charge

Monthly Accounts	Number of Bills									
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"
0	0	0	0	0	0	0	0	24	24	0
11.76	12.13	13.15	14.75	18.39	42.91	53.66	79.35	106.92	142.39	

Total Revenue Under Proposed Rates

Volume Charge	826,400
Service Charge	3,200
Total	829,600

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 19
COMPARISON OF TYPICAL WATER BILLS UNDER EXISTING AND PROPOSED RATES

Meter Size	Usage		Existing Rates	Proposed		
	Ccf	1,000 gallons	\$	Rates \$	Increase \$	Increase %
Monthly						
5/8"	0	0	10.33	11.76	1.43	13.8%
5/8"	3	2	17.35	19.40	2.05	11.8%
5/8"	7	5	27.90	30.86	2.96	10.6%
5/8"	8	6	31.42	34.70	3.28	10.4%
5/8"	13	10	45.49	50.00	4.51	9.9%
5/8"	20	15	61.04	67.18	6.14	10.1%
5/8"	27	20	75.96	83.78	7.82	10.3%
5/8"	40	30	105.75	116.91	11.16	10.6%
5/8"	67	50	165.38	183.22	17.84	10.8%
5/8"	134	100	314.44	348.99	34.55	11.0%
3/4"	40	30	106.10	117.28	11.18	10.5%
3/4"	67	50	165.73	183.59	17.86	10.8%
3/4"	134	100	314.79	349.36	34.57	11.0%
1"	27	20	77.24	85.17	7.93	10.3%
1"	67	50	166.66	184.61	17.95	10.8%
1"	134	100	315.72	350.38	34.66	11.0%
1 1/2"	134	100	317.16	351.98	34.82	11.0%
1 1/2"	334	250	764.32	849.27	84.95	11.1%
1 1/2"	668	500	1,509.58	1,678.08	168.50	11.2%
2"	334	250	767.65	852.91	85.26	11.1%
2"	668	500	1,512.91	1,681.72	168.81	11.2%
2"	1,337	1,000	3,003.47	3,339.38	335.91	11.2%
3"	668	500	1,535.37	1,706.24	170.87	11.1%
3"	1,337	1,000	3,025.93	3,363.90	337.97	11.2%
3"	2,674	2,000	5,853.45	6,515.39	661.94	11.3%
4"	1,337	1,000	3,035.72	3,374.65	338.93	11.2%
4"	2,674	2,000	5,863.24	6,526.14	662.90	11.3%
4"	6,684	5,000	14,204.91	15,830.31	1,625.40	11.4%
6"	2,674	2,000	5,886.64	6,551.83	665.19	11.3%
6"	6,684	5,000	14,228.31	15,856.00	1,627.69	11.4%
6"	13,368	10,000	28,131.07	31,362.93	3,231.86	11.5%
8"	6,684	5,000	14,253.46	15,883.57	1,630.11	11.4%
8"	13,368	10,000	28,156.22	31,390.50	3,234.28	11.5%
8"	26,736	20,000	55,961.79	62,404.40	6,442.61	11.5%
10"	13,368	10,000	28,188.47	31,425.97	3,237.50	11.5%
10"	26,736	20,000	55,994.04	62,439.87	6,445.83	11.5%
10"	66,840	50,000	139,410.69	155,481.52	16,070.83	11.5%
Quarterly						
5/8"	0	0	15.37	17.24	1.87	12.2%
5/8"	8	6	36.46	40.18	3.72	10.2%
5/8"	20	15	68.10	74.58	6.48	9.5%
5/8"	24	18	78.65	86.05	7.40	9.4%
5/8"	40	30	120.83	131.93	11.10	9.2%
5/8"	60	45	167.53	183.54	16.01	9.6%
5/8"	80	60	212.24	233.26	21.02	9.9%
5/8"	120	90	301.66	332.71	31.05	10.3%
5/8"	201	150	480.53	531.63	51.10	10.6%
5/8"	401	300	927.69	1,028.92	101.23	10.9%
3/4"	120	90	302.45	333.57	31.12	10.3%
3/4"	201	150	481.32	532.49	51.17	10.6%
3/4"	401	300	928.48	1,029.78	101.30	10.9%
1"	80	60	218.59	236.69	18.10	8.3%
1"	201	150	486.88	535.06	48.18	9.9%
1"	401	300	934.04	1,032.35	98.31	10.5%
1 1/2"	401	300	942.68	1,035.84	93.16	9.9%
1 1/2"	1,003	750	2,284.16	2,527.71	243.55	10.7%
1 1/2"	2,005	1,500	4,519.98	5,014.18	494.20	10.9%
2"	1,003	750	2,347.22	2,537.13	189.91	8.1%
2"	2,005	1,500	4,583.04	5,023.60	440.56	9.6%
2"	4,010	3,000	9,054.66	9,996.52	941.86	10.4%
3"	2,005	1,500	4,606.76	5,092.31	485.55	10.5%
3"	4,010	3,000	9,219.31	10,065.23	845.92	9.2%
3"	8,021	6,000	17,560.97	19,519.72	1,958.75	11.2%
4"	4,010	3,000	9,274.77	10,091.09	816.32	8.8%
4"	8,021	6,000	17,616.43	19,545.58	1,929.15	11.0%
4"	20,052	15,000	42,641.43	47,458.08	4,816.65	11.3%
6"	8,021	6,000	17,679.44	19,606.07	1,926.63	10.9%
6"	20,052	15,000	42,704.44	47,518.57	4,814.13	11.3%
6"	40,104	30,000	84,412.76	94,039.40	9,626.64	11.4%
8"	20,052	15,000	42,776.27	47,587.27	4,811.00	11.2%
8"	40,104	30,000	84,484.59	94,108.09	9,623.50	11.4%
8"	80,208	60,000	167,901.27	187,149.77	19,248.50	11.5%
10"	40,104	30,000	84,177.15	94,186.48	10,009.33	11.9%
10"	80,208	60,000	167,593.83	187,228.15	19,634.32	11.7%
10"	200,521	150,000	417,843.81	466,353.13	48,509.32	11.6%

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 20
 SUMMARY OF TEST YEAR REVENUE REQUIREMENTS

Line No.		2005 (a)	2006	2007	2008	2009
1	OPERATION & MAINTENANCE	\$20,375,306	\$21,190,318	\$22,037,931	\$22,919,448	\$23,836,226
2	DEBT SERVICE	12,541,807	13,298,361	14,422,828	15,551,344	16,679,856
3	DEPRECIATION	5,328,876	5,461,298	5,898,104	6,154,693	6,022,115
4	DEBT SERVICE COVERAGE	<u>2,458,361</u>	<u>2,659,672</u>	<u>2,884,566</u>	<u>3,110,269</u>	<u>3,335,971</u>
5	TOTAL REVENUE REQUIREMENTS	40,704,350	42,609,649	45,243,429	47,735,755	49,874,169
6	LESS: OPERATING REVENUES NOT SUBJECT TO RATE INCREASE	(1,873,546)	(1,873,546)	(1,873,546)	(1,873,546)	(1,873,546)
7	LESS: NON-OPERATING INCOME	(952,600)	(952,600)	(952,600)	(952,600)	(952,600)
8	LESS: BOONE & FLORENCE RESERVE AND EARLY TERMINATION	<u>(443,685)</u>	<u>(443,685)</u>	<u>(443,685)</u>	<u>(443,685)</u>	<u>(443,685)</u>
9	NET REVENUE REQUIREMENTS	37,434,519	39,339,818	41,973,598	44,465,924	46,604,338
10	REVENUES AT CURRENT RATES	(34,059,199)	(37,434,519)	(39,339,818)	(41,973,598)	(44,465,924)
11	CUMULATIVE GROWTH IN ACCOUNTS	<u>0</u>	<u>(296,835)</u>	<u>(309,489)</u>	<u>(327,631)</u>	<u>(344,397)</u>
12	NET INCREASE REQUIRED	3,375,320	1,608,464	2,324,291	2,164,695	1,794,017
13	PERCENTAGE INCREASE IN REVENUE	9 91%	4 26%	5 86%	5 12%	4 00%

(a) Reflects January 1 to December 31, 2004 actuals plus known and measureable adjustments

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE 20.1
 SUMMARY OF MULTI-TEST YEAR REVENUE REQUIREMENTS

Line No.		Test Year			
		2006	2007	2008	2009
1	PRIOR TEST YEAR REVENUE REQUIREMENTS	37,434,519	39,339,818	41,973,598	44,465,924
2	CHANGE IN OPERATION & MAINTENANCE EXPENSE	815,012	847,613	881,517	916,778
3	CHANGE IN DEBT SERVICE	756,554	1,124,468	1,128,516	1,128,512
4	CHANGE IN DEPRECIATION	132,422	436,806	256,589	(132,578)
5	CHANGE IN DEBT SERVICE COVERAGE	<u>201,311</u>	<u>224,894</u>	<u>225,703</u>	<u>225,702</u>
6	TOTAL TEST YEAR REVENUE REQUIREMENTS	39,339,818	41,973,598	44,465,924	46,604,338
7	LESS: CHANGE IN OPERATING REVENUES NOT SUBJECT TO RATE INCREASE	0	0	0	0
8	LESS: CHANGE IN NON-OPERATING INCOME	0	0	0	0
9	LESS: CHANGE IN BOONE & FLORENCE RESERVE AND EARLY TERMINATION	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
10	NET REVENUE REQUIREMENTS	39,339,818	41,973,598	44,465,924	46,604,338
11	REVENUES AT CURRENT RATES	(37,731,354)	(39,649,307)	(42,301,229)	(44,810,321)
12	NET INCREASE REQUIRED	1,608,464	2,324,291	2,164,695	1,794,017
13	PERCENTAGE INCREASE IN REVENUE	4.26%	5.86%	5.12%	4.00%

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 21
 PROPOSED RATES

		Effective Jan 1, 2007		Effective Jan 1, 2008	
		Monthly	Quarterly	Monthly	Quarterly
		\$	\$	\$	\$
Service Charge	5/8"	12.26	17.97	12.98	19.03
	3/4"	12.65	18.87	13.39	19.98
	1"	13.71	21.55	14.51	22.81
	1 1/2"	15.38	25.19	16.28	26.67
	2"	19.17	35.01	20.30	37.06
	3"	44.74	106.65	47.36	112.90
	4"	55.95	133.61	59.23	141.45
	6"	82.73	196.68	87.58	208.21
	8"	111.48	268.31	118.02	284.04
	10"	148.46	350.03	157.16	370.55

Volume Charge		Monthly Block		Quarterly Block					
		ccf	ccf	\$/ccf	\$/1,000 gal	\$/ccf	\$/1,000 gal		
First	15	45	2.98	3.99	3.16	4.22			
Next	1,635	4,905	2.59	3.46	2.74	3.66			
Over	1,650	4,950	2.42	3.23	2.56	3.42			
Wholesale			2.02	2.70	2.14	2.86			

		Effective Jan 1, 2009		Effective Jan 1, 2010	
		Monthly	Quarterly	Monthly	Quarterly
		\$	\$	\$	\$
Service Charge	5/8"	13.64	20.00	14.19	20.80
	3/4"	14.07	21.00	14.64	21.84
	1"	15.26	23.98	15.87	24.94
	1 1/2"	17.11	28.03	17.80	29.15
	2"	21.34	38.96	22.19	40.52
	3"	49.79	118.68	51.78	123.43
	4"	62.26	148.68	64.75	154.64
	6"	92.06	218.87	95.75	227.63
	8"	124.06	298.57	129.02	310.53
	10"	165.21	389.51	171.82	405.11

Volume Charge		Monthly Block		Quarterly Block					
		ccf	ccf	\$/ccf	\$/1,000 gal	\$/ccf	\$/1,000 gal		
First	15	45	3.32	4.44	3.45	4.61			
Next	1,635	4,905	2.88	3.85	2.99	4.00			
Over	1,650	4,950	2.69	3.60	2.80	3.74			
Wholesale			2.25	3.01	2.34	3.13			

Appendix D

Analysis of Subsequent Test Years

Appendix D

Analysis of Subsequent Test Years

The development of test year revenue requirements, as identified in the executive summary of this report, are based in large part upon the five year capital improvement program, and associated funding costs. Presented in Appendix D is the five year capital improvement program.

Five Year Capital Improvement Program

Line No.		2005	2006	2007	2008	2009	Total
Major Capital Improvement Program							
Water Quality							
1	US 27 Pumping Station Expansion	\$2,300,000					\$2,300,000
2	TMTP PS New Pump/VFD	140,000					140,000
3	Standby Generator at ORPS1	1,500,000					1,500,000
4	FTTP Tube Settler Replacement	950,000					950,000
5	MPTP Chemical Building/Raw Water PS/Transfer Pipe	500,000	4,000,000				4,500,000
6	FTTP Ultraviolet Disinfection	500,000	3,500,000				4,000,000
7	TMTP Backwash Handling System	1,389,000					1,389,000
8	SCADA Upgrade Phase 3			2,400,000			2,400,000
9	Install Third Pump At Ripple Creek PS		160,000				160,000
10	MPTP Filter Rehabilitation			530,000			530,000
11	TMTP Tube Settler Replacement		210,000				210,000
12	Standby Generator at Dudley PS			275,000			275,000
13	New Water Tank, Rossford				1,000,000		1,000,000
14	FTTP Post-Filtration GAC (Part 1)					1,000,000	1,000,000
15	Standby Generator at TMTP PS					170,000	170,000
16	Total Water Quality	7,279,000	7,870,000	3,205,000	1,000,000	1,170,000	20,524,000
Distribution System							
17	US27 from State Rt 824 to Pendleton Co Meter KDOT				770,000		770,000
18	24" Redundancy Glenn Ave. - Covington	980,000					980,000
19	Bristow Road P S 12" to Bristow Road		90,000				90,000
20	Narrows Rd (connecting ext 16" & 12")		96,000				96,000
21	Poplar Ridge Rd (Upper Tug Fork to 4-mile)	340,200					340,200
22	Four Mile Pk (Poplar Rdg To Nelson Rd)	369,400					369,400
23	Nelson Rd (Four Mile to 4 & 12 Mile Rd)	720,400					720,400
24	Four & Twelve Mile Rd (Nelson to Hwy 1566)			670,000			670,000
25	Washington Trace Rd (12 Mile Rd to Hwy 1996)			1,245,000			1,245,000
26	KY 9 (36" Muck Rd to Newport Steel Entrance)			1,500,000			1,500,000
27	Low Gap Rd (K59 to Existing Dead End)				192,000		192,000
28	Licking Pike From Trapp Rd to Rifle Range (Sub-F)	135,000					135,000
29	Licking Pike from Rifle Range to Sub-D (Sub-F)	70,000					70,000
30	Water Main Replacement Program 2004	477,410					477,410
31	3rd Street	372,000					372,000
32	Steel Water Main Phase 3	315,590					315,590
33	New Richmond Road (Old Carthage Rd)	420,000					420,000
34	4 Mile Circle	115,000					115,000
35	2004 Systematic Water Main Replacement	1,000,000					1,000,000
36	Mains into Unserved Areas 2004 (Sub - F, Campbell)	250,000					250,000
37	4 Mile Pk (Uhl Rd south to End of Line)			230,000			230,000
38	Gunkel Rd (Upper Eight Mile to Fender Rd)			500,000			500,000
39	Lower Tug Fork (Upper Tug Fork 6')	325,000					325,000
40	Water Main Replacement Program 2005	1,520,000					1,520,000

Five Year Capital Improvement Program (continued)

Line No.		2005	2006	2007	2008	2009	Total
Major Capital Improvement Program							
41	Forest/Short John/John St. 2005 Main Replacement	580,000					580,000
42	Mains into Unserved Areas 2005 (Sub - G. Kenton)	250,000					250,000
43	Water Main Replacement Program 2006		2,100,000				2,100,000
44	Mains into Unserved Areas 2006		250,000				250,000
45	U S 27 From Ripple Creek BPS to E. Alex Pike		1,700,000				1,700,000
46	U S 27 From E. Alexandria Pike to Main		1,500,000				1,500,000
47	Pelly Rd from Ky 17 to Senour Road	400,000					400,000
48	Senour Road from Pelly to Ky 16	165,500					165,500
49	Hands Pike from Ky 16 to Edwin Drive		285,000				285,000
50	Ky 16. from Hands Pike to Klette Road		275,000				275,000
51	Newport I.S/HS Interconnect/Regulated Woodlawn		520,000				520,000
52	Newport Low Service Interconnect 30"			750,000			750,000
53	Ky 547. from Washington St. to Nelson Road			965,000			965,000
54	Four Mile Pk. (Poplar Rdg. To Upper 8 Mile)			510,000			510,000
55	Dudley Discharge 12" - 30"			2,800,000			2,800,000
56	Water Main Replacement Program 2007			2,100,000			2,100,000
57	Mains into Unserved Areas 2007			250,000			250,000
58	Twelve Mile Rd. KY 10 to KY 1566				450,000		450,000
59	Year 2008 Water Main Replacement Program				2,100,000		2,100,000
60	Mains into Unserved Areas 2008				250,000		250,000
61	Ky 536, US 27 to Pond Creek Road - 12"					1,990,000	1,990,000
62	Interconnect 1010/1017 12"					500,000	500,000
63	Ky 2043. Banklick Station Road to Ky 16				2,400,000		2,400,000
64	Year 2009 Water Main Replacement Program					2,100,000	2,100,000
65	Mains into Unserved Areas 2009					250,000	250,000
66	Total Distribution System	8,805,500	10,961,000	7,375,000	6,162,000	4,840,000	38,143,500
Customer Service							
67	Radio Read Meters for Newport Area	800,000	500,000				1,300,000
68	Utility Information Management - EMA Recommendations	200,000	1,000,000				1,200,000
69	Radio Read Meters for Kenton & Campbell Areas 2006		800,000				800,000
70	Radio Read Meters for Kenton & Campbell Areas 2007			800,000			800,000
71	Radio Read Meters for Kenton & Campbell Areas 2008				800,000		800,000
72	Radio Read Meters for Kenton & Campbell Areas 2009					800,000	800,000
73	Radio Read Meters for Kenton & Campbell Areas 2009					800,000	800,000
74	Total Customer Service	1,000,000	2,300,000	800,000	800,000	800,000	5,700,000
Administration							
Central Facility							
75	Central Facility - Purchase Price	3,650,000					3,650,000
76	Central Facility - Remodeling	4,600,000					4,600,000
77	Total Administration	8,250,000	0	0	0	0	8,250,000
78	Miscellaneous Projects	0	0	0	0	0	0
79	Miscellaneous Projects	0	0	0	0	0	0
80	Total CIP Program	25,334,500	21,131,000	11,380,000	7,962,000	6,810,000	72,617,500