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January 29, 2007

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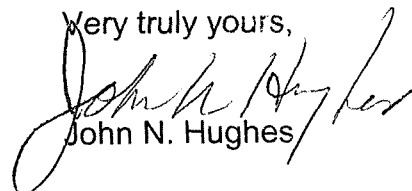
Beth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Re: Case No. 2006-00315

Dear Beth:

Northern Kentucky Water District submits the supplemental testimony of Richard Harrison. A copy has been delivered to the Attorney General. If there are any questions about this, please contact me.

Very truly yours,



John N. Hughes

Attorney for Northern Kentucky  
Water District

cc: Jack Bragg  
Attorney General

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF NORTHERN KENTUCKY )  
WATER DISTRICT FOR A CERTIFICATE OF )  
CONVENIENCE AND NECESSITY FOR THE ) CASE NO. 2006-00315  
CONSTRUCTION OF SUB DISTRICT F WATER MAIN )  
EXTENSIONS, FINANCING AND SURCHARGE )

PREFILED SUPPLEMENTAL TESTIMONY OF RICHARD HARRISON, P.E.

Q 1 Please state your name and business address.

A. Richard Harrison, 2835 Crescent Springs Rd, Erlanger, Kentucky, 41018-0640.

Q 2 Did you previously file testimony in this case?

A. Yes.

Q 3 Did you also file responses to staff data requests in this case on November 15, 2006?

A. Yes.

Q 4 Do you adopt the testimony and the responses to the data requests filed on  
November 15, 2006 as part of your supplemental testimony?

A. Yes.

Q 5 Do you have any additional testimony to provide to the Commission about this  
matter?

A. Yes. It seems that there may be some misunderstanding about the nature of the  
financing of this sub district and prior sub districts. In some of the previous cases,  
the District obtained grants or low interest financing through government agencies  
that contained conditions for use of the funds. The primary condition was that  
there be a certain percentage of low to moderate income households in the areas to

be included in the sub district.

The financing for this sub district does not include such a condition. Consequently, there was no information filed in the case related to that issue.

Q 6 Without the income factor in this case, what factor did the District use to determine the boundaries of the proposed sub district F and feasibility of its construction?

A. The District has always used household density as the primary criterion for the establishment of a sub district. In order to maximize the number of customers served with the limited dollars available from all funding sources, the District determines where the highest number of households per mile can be feasibly served.

Q7 Why is density an important factor?

A. The cost per mile of any extension dictates that the District maximize the number of customers served along each extension. Because of the limited resources available to extend our service, we attempt to get the most value from each dollar spent.

Q 8 Given the current number of unserved households in the District's service area, will density continue to be a determining factor in the establishment of sub districts?

A. Yes. As I explained in my prior testimony, the remaining unserved areas are very remote and sparsely populated. To be able to get funding and a sufficient number of customers connected to the extension, it will be necessary to continue to group non-contiguous areas into a sub district so that we can focus on the highest density areas remaining to be served. The alternatives are to not extend facilities, to have a large number of very small sub districts or to require customers to pay for the extension pursuant to our tariff. We believe the current sub district procedure is the best alternative and is consistent with the high density characteristic that has always been shared by the District's past sub districts. Meeting low to moderate

income requirements was not the reason previous sub districts were non contiguous. The District could generally keep sub districts contiguous or at least in the same general geographic location if meeting low to moderate income requirements was the primary goal. However, high density areas of the District's service area are not typically contiguous.

Q 9 Can you explain how the District's contribution of \$750,00 benefits the sub district customers and the District's other customers as well?

A. The District's contribution of \$750,000 benefits the customers of sub district F by reducing the debt that the surcharge needs to service and therefore helps maintain the monthly surcharge at \$30. The contribution of \$750,000 by the District benefits the District's other customers by helping to leverage grant funds and that helps the District to extend service to new customers. A larger customer base is desirable to help the District meet future operational challenges.

Q. 10 Does that conclude your testimony?


A. Yes.

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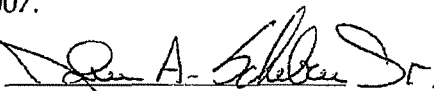
COMMONWEALTH OF KENTUCKY

COUNTY OF KENTON

Affiant, Richard Harrison, after being first sworn, deposes and says that the foregoing supplemental testimony is true and correct to the best of his knowledge and belief except as to those matters that are based on information provided to him and as to those he believes to be true and correct.

  
Richard Harrison

This instrument was produced, signed and declared by Richard Harrison to be his act and deed the 27<sup>th</sup> day of January 2007.

  
Notary Public

My Commission expires: 5/13/07