

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

This matter is before the Commission on its own motion. On September 20, 2006, the Commission granted a Certificate of Public Convenience and Necessity ("CPCN") to Northern Kentucky Water District ("NKWD") to undertake an extension of mains in a new Subdistrict F. The September 20, 2006 Order also denied NKWD's proposal to establish a special surcharge to finance a portion of the main extension. Thereafter, NKWD sought rehearing, which was granted by Commission Order entered on October 19, 2006.

While the Commission has approved the establishment of subdistricts within the NKWD system and has allowed surcharges to be imposed as a means to help finance the construction, the proffered rationale for the proposed Subdistrict F is unique. The proposed surcharge to recover system development costs neither assesses the full costs accruing to NKWD to the source of the costs nor does it spread the costs of the system development over the utility's full customer base. Proposed Subdistrict F also lacks a federal income threshold requirement as was present in prior applications,

giving the proposed subdistricts less commonality and, therefore, a geographical footprint less rationally related to the imposition of the proposed surcharge. Before the Commission can approve the applications, it must be satisfied that the surcharge is fair, just, and reasonable and does not unfairly discriminate in comparison to the rates charged to NKWD's other customers.¹

In light of the foregoing, the Commission will hold a hearing on the rehearing issues on August 21, 2007. In anticipation of this hearing, an informal conference will be held at the Commission's offices on August 8, 2007 for the purpose of discussing NKWD's proposed surcharge.

IT IS HEREBY ORDERED that:

1. The parties shall appear for hearing before the Commission on August 21, 2007, beginning at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky.
2. An informal conference shall be held on August 8, 2007, beginning at 2:00 p.m., Eastern Daylight Time, in Conference Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 13th day of July, 2007.

By the Commission

ATTEST:



Executive Director

¹ KRS 278.030; KRS 278.170.