

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN)	
KENTUCKY WATER DISTRICT FOR AN)	CASE NO.
ADJUSTMENT OF RATES; ISSUANCE OF)	2022-00161
BONDS; FINANCING; AND TARIFF REVISIONS)	

ORDER

Northern Kentucky Water District (Northern Kentucky District) filed an application for a general rate adjustment on July 22, 2022.¹ The application requested a rate increase of \$9,151,202 or 15.5 percent in retail base rates pursuant to KRS 278.180 and KRS 278.190.² Northern Kentucky District also requested approval of \$27,335,000 in financing and issuance of bonds, pursuant to KRS 278.300³ and regulatory asset treatment for its reservoir cleaning project.⁴ Last, Northern Kentucky District requested approval of revisions to its customer bill of rights tariff, and payment-related tariffs.⁵

There are no intervenors to this proceeding. Pursuant to KRS 278.190(2), the Commission suspended the proposed rates for five months from their effective date, up to and including January 21, 2023, to permit sufficient time to investigate the

¹ Northern Kentucky District tendered the application on July 8, 2022. By Order dated July 13, 2022, the Commission rejected the application for filing due to filing deficiencies. Northern Kentucky District subsequently cured the filing deficiencies and the application was deemed filed on July 22, 2022.

² Application, Exhibit L1.

³ Application, Exhibit A1 at 2.

⁴ Application, paragraphs 21–24.

⁵ Application, Exhibit M2.

reasonableness of the proposed rates.⁶ To determine the reasonableness of the proposed financing, the Commission continued the request for financing beyond the 60 days specified in KRS 278.300(2).⁷ Northern Kentucky District responded to three rounds of discovery. By an Order entered October 21, 2022, the Commission granted Northern Kentucky District's motion to submit this matter for a decision on the written record and canceled the hearing scheduled for October 26, 2022. On November 16, 2022, Northern Kentucky District filed a motion for an expedited ruling in this case, requesting a decision by December 6, 2022, so that Northern Kentucky District could issue its proposed bonds before the expiration date of its financing commitment. On December 6, 2022, the Commission granted Northern Kentucky District's proposed financing. The remaining matters now stand submitted for decision.

BACKGROUND

Northern Kentucky District, a water district organized under KRS Chapter 74, provides retail water service to approximately 85,838 customers in Kenton, Boone, and Campbell counties, Kentucky.⁸ Northern Kentucky District sells water wholesale to the following nonaffiliated water distribution systems: Bullock Pen Water District, Pendleton County Water District, and the city of Walton.⁹

⁶ Case No. 2022-00161, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions* (Ky. PSC Aug. 9, 2022) Order at ordering paragraph 1.

⁷ Case No. 2022-00161, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions* (Ky. PSC Aug. 9, 2022) Order at ordering paragraph 2.

⁸ *Annual Report of Northern Kentucky District to the Public Service Commission for the Year Ended December 31, 2021* (2021 Annual Report) at 18 and 56.

⁹ 2021 Annual Report at 63.

LEGAL STANDARD

Northern Kentucky District filed its application for an adjustment of rates pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001. The Commission's standard of review for a utility's request for a rate increase is whether the proposed rates are "fair, just and reasonable."¹⁰ Northern Kentucky District bears the burden of proof to show that the proposed rate is just and reasonable under the requirements of KRS 278.190(3).

TEST PERIOD

Northern Kentucky District proposed, and the Commission accepts, a historical 12-month period ended December 31, 2021, as the test period to determine the reasonableness of its proposed rates. Northern Kentucky District proposed pro forma adjustments, which are discussed below.

INCOME STATEMENT

Northern Kentucky District reported actual test-year operating revenues of \$60,075,322 and total operating expenses of \$42,402,574.¹¹ Northern Kentucky District proposed an adjustment to normalize test-year revenues of \$143,652.¹² Northern Kentucky District proposed \$4,327,546 in adjustments to test-year expenses.¹³ The Commission's review of Northern Kentucky District's test-year revenues and expenses are set forth below.

¹⁰ KRS 278.030; *Pub. Serv. Comm'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

¹¹ Application, Exhibit K at 3.

¹² Application, Exhibit K at 3 and North Kentucky District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Oct. 3, 2022), Item 2(a), Exhibit 2-1. Northern Kentucky District's test year revenues were \$60,075,322 and its adjusted test-year revenues after the proposed increase were \$60,218,974.

¹³ Application, Exhibit K at 3.

	Actual	NKWD Adjustments	Proforma	Commission Adjustments	Final
Operating Revenue					
Water Sales	58,983,695	143,652	59,127,347	-	59,127,347
Forfeited Discounts	442,082	-	442,082	-	442,082
Rents from Property	383,269	-	383,269	-	383,269
Other Water Revenues	266,276	-	266,276	(22,810)	243,466
Total Operating Revenues	60,075,322	143,652	60,218,974	(22,810)	60,196,164
Operating Expenses					
Salaries and Wages	9,688,419	2,109,384	11,797,803	-	11,797,803
Pensions and Benefits	5,762,130	756,343	6,518,473	(549,578)	5,968,895
Purchased Power	2,647,748	-	2,647,748	-	2,647,748
Fuel	126,678	-	126,678	-	126,678
Chemicals	2,819,593	932,324	3,751,917	-	3,751,917
Materials and Supplies	2,051,609	-	2,051,609	-	2,051,609
Contractual Services	4,143,986	434,470	4,578,456	22,373	4,600,829
Equipment Rentals	27,966	-	27,966	-	27,966
Transportation Expenses	628,480	-	628,480	-	628,480
Insurance	675,349	-	675,349	-	675,349
Advertising Expense	10,757	-	10,757	-	10,757
Rate Case Amortization	32,331	-	32,331	(21,861)	10,470
Other	117,920	-	117,920	-	117,920
Bad Debt	382,985	-	382,985	-	382,985
Miscellaneous Expenses	38,281	-	38,281	-	38,281
Total Operating Expenses	29,154,232	4,232,521	33,386,753	(549,065)	32,837,688
			-		-
Taxes Other Than Income	811,423	95,025	906,448		906,448
Depreciation Expense	12,436,919	-	12,436,919	-	12,436,919
Total Expenses	42,402,574	4,327,546	46,730,120	(549,065)	46,181,055
Net Income	17,672,748	(4,183,894)	13,488,854	526,255	14,015,109
Other Income	2,081,883	-	2,081,883	-	2,081,883
Income for Debt Service	19,754,631	(4,183,894)	15,570,737	526,255	16,096,992

REVENUE REQUIREMENT ADJUSTMENTS

Revenues

Retail Water Sales. Northern Kentucky District proposed to increase test-year retail water sales by \$143,652 to normalize sales based on billing determinants as of

December 31, 2021.¹⁴ The Commission finds this adjustment reasonable and therefore accepts the adjustment.

Other Revenues. As discussed below, the Commission finds Northern Kentucky District's adjustments to several non-recurring charges to be reasonable. These adjustments result in a decrease in test-year service revenues of \$22,810 and will increase the revenue requirement for base rates by the same amount.

Expenses

Wages and Salaries. Northern Kentucky District proposed an increase in wages and salaries of \$2,419,627, less \$310,243 capitalized, and stated that the increase was based on wage rates effective January 1, 2023, and normalized hours, including open positions and those filled during or after the test year.¹⁵ Northern Kentucky District stated that additional positions are necessary to accommodate the increase in responsibilities in each department, including the new Advanced Metering Infrastructure system, the reservoir cleaning project, additional water testing, and customer accounts management.¹⁶ Budgeted and actual full-time positions are as follows:¹⁷

Year	Budget	Actual
2022 ¹⁸	171	154
2021	165	146
2020	149	145

¹⁴ Application, Exhibit K at 3 and North Kentucky District's Response to Staff's Third Request (filed Oct. 3, 2022), Item 2(a).

¹⁵ Application, Exhibit K at 4 and Northern Kentucky District's Responses to Commission Staff's Second Request for Information (Staff's Second Request) (filed Sept. 2, 2022), Item 5, Exhibit 5-2.

¹⁶ Northern Kentucky District's Response to Staff's Second Request, Item 12.

¹⁷ Direct Testimony of Kim Clemons, at 2, lines 11-19.

¹⁸ As of June 30, 2022.

While base wages have increased significantly, overtime and contract labor costs have decreased¹⁹ and Northern Kentucky District is actively searching to fill open positions.²⁰ The Commission finds this adjustment reasonable, and therefore, accepts the adjustment.

Employee Insurance. Northern Kentucky District proposed an increase in employee insurance premiums of \$51,769 to account for additional employees and premium increases.²¹ In its last rate case, Northern Kentucky District was advised that the Commission may make an adjustment to health insurance expenses if the actual percentage of employee cost contribution is significantly below the average.²² Northern Kentucky District did not make any changes to its employee contributions rates since its last rate case.²³ Northern Kentucky District's employee contributions to health insurance premiums for single and family coverage of 5 percent and 14 percent, respectively, are significantly lower than the average employee contributions for private industry workers of 22 percent for single coverage and 34 percent for family coverage.²⁴ Northern Kentucky District included an adjustment to increase employee contributions to single and

¹⁹ Northern Kentucky District's Response to Staff's Third Request, Item 12(c).

²⁰ Northern Kentucky District's Response to Staff's Third Request, Item 12(a).

²¹ Northern Kentucky District's Response to Staff's Second Request, Item 5, Exhibit 5-1.

²² Case No. 2018-00291, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions* (Ky. PSC Mar. 26, 2019), Order at 8.

²³ Northern Kentucky District's Response to Staff's Second Request, Item 13(a).

²⁴ U.S. Department of Labor, Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States, March 2021*, Table 11, Medical care benefits: Share of premiums paid by employer and employee, private industry workers, March 2021 (<https://www.bls.gov/ebs/publications/pdf/employee-benefits-in-the-united-states-march-2021.pdf>).

family coverage to 12 percent and 14 percent, respectively.²⁵ The Commission finds that an adjustment to increase Northern Kentucky District's contributions to health insurance to align employee contribution rates with the national average for private industry workers reported by the Bureau of Labor Statistics is reasonable and therefore decreases Northern Kentucky District's test-year insurance expense by \$549,578.

Pension Expense. As of December 31, 2021, Northern Kentucky District contributed 26.87 percent of employee wages to its pension plan.²⁶ Northern Kentucky District proposed to increase pension expense by \$704,574 to reflect the net increase in wages explained above, and the increase in contributions to the pension plan.²⁷ The Commission finds that this adjustment is a known and measurable change to the test period and is reasonable, and therefore, accepts the adjustment.

Chemical Expenses. Northern Kentucky District proposed an increase in chemical expenses of \$932,324, an approximately 33 percent increase.²⁸ The adjustment is calculated based on July 2022 prices and 3-year average usage of each chemical.²⁹ Northern Kentucky District stated that the 3-year average accounts for changes in river water chemistry and temperature that affects chemical usage.³⁰

²⁵ Northern Kentucky District's Response to Staff's Second Request, Item 13(a).

²⁶ Northern Kentucky District's Response to Staff's Second Request, Item 5, Exhibit 5-2.

²⁷ Northern Kentucky District's Response to Staff's Second Request, Item 5, Exhibit 5-1.

²⁸ Northern Kentucky District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Aug. 3, 2022), Item 42, Exhibit 42-3 and Northern Kentucky District's Response to Staff's Second Request, Item 5, Exhibit 5-1.

²⁹ Northern Kentucky District's Response to Staff's First Request, Item 42, Exhibit 42-3.

³⁰ Northern Kentucky District's Response to Staff's Third Request, Item 2(d).

The Commission finds that allowing Northern Kentucky District to update its chemical prices for current contracts is known and measurable, and that the average chemical usage over three years smooths the effect of variations in the usage of chemicals year over year and is therefore reasonable. Thus, the Commission accepts Northern Kentucky District's proposed increase in chemical expenses.

Reservoir Cleaning - Regulatory Asset and Amortization. Northern Kentucky District proposed to increase test-year expenses by \$434,470, to include the 10-year amortization of its proposed regulatory asset for cost of removing sediment from the North Reservoir of the Ft. Thomas Water Treatment Plant.³¹ The total cost of the project, completed September 6, 2022, was \$4,813,174, compared to the original estimated cost of \$2,819,605 and revised estimate of \$4,589,442.³² After the original winning bidder was unable to acquire permits, Northern Kentucky District rebid the contract, the winner estimated total costs of \$5,562,000 and came in under budget.³³ Now that the project is complete, Northern Kentucky District requested regulatory asset treatment and to include amortization in rates.³⁴

In Case No. 2018-00291, Northern Kentucky District's last rate case, Northern Kentucky District included an allowance for these expenses, based on a 10-year cycle,

³¹ Application at 9-10 and Exhibit K at 7. See also Northern Kentucky District's Response to Staff's Second Request, Item 5, Exhibit 5-1. The test-year included \$24,474 in reservoir cleaning expenses. $\$4,589,442 / 10 = \$458,994 - \$24,274 = \$434,470$.

³² Northern Kentucky District's Response to Staff's Third Request, Item 3(b).

³³ Northern Kentucky District's Response to Staff's Second Request, Item 2(a).

³⁴ Application at 9-10 and Exhibit K at 7.

but did not propose a regulatory asset.³⁵ Northern Kentucky District stated that it did not track the revenue related to the reservoir cleaning in its rates since its last rate case.³⁶ Northern Kentucky District argued that the reservoir cleaning should not be capitalized because it did not extend the capacity or life of the reservoir beyond its original limits.³⁷ Northern Kentucky District argued that regulatory asset treatment is reasonable to better align its revenues and expenses and stated that no debt was incurred for the reservoir project.³⁸

The Commission finds that Northern Kentucky District's proposed regulatory asset treatment for reservoir cleaning expenses is unreasonable and should not be approved; however, the Commission finds that the 10-year normalization is reasonable after adjustment to the actual cost. While the cost increases and project delays were largely out of Northern Kentucky District's control, the decisions to request normalized recovery of the expense in the last rate case and regulatory asset treatment in this case were entirely under its control. When Northern Kentucky District was granted normalized treatment of these expenses, its annual revenues were increased by \$281,961 in its last rate case and it cannot now request regulatory asset treatment for the same expense. Therefore, the Commission will increase the normalization adjustment by \$22,373 to account for the \$223,732 increase in the final cost compared to the revised estimate.³⁹

³⁵ Case No. 2018-00291, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions* (Ky. PSC Mar. 26, 2019), Order at 10.

³⁶ Northern Kentucky District's Response to Staff's Third Request, Item 3(b).

³⁷ Northern Kentucky District's Response to Staff's Third Request, Item 3(e).

³⁸ Northern Kentucky District's Response to Staff's Third Request, Item 3(e) and 3(f).

³⁹ $\$4,813,174 / 10 = \$481,317 - \$458,944 = \$22,373$.

Rate Case Expenses. Northern Kentucky District reported that its test-year included amortization of rate case expenses for its previous rate case of \$32,331.⁴⁰ Northern Kentucky District did not request to recover any rate case expenses in its pro forma adjustments and stated it does not intend to recover rate case expense for legal consultation service costs.⁴¹ Northern Kentucky District's rate case expenses, excluding legal consultation costs, were \$31,411,⁴² the 3-year amortization of which is \$10,470. The Commission finds that an adjustment to reduce rate case expense amortization by \$21,861⁴³ is reasonable to account for the difference between the test-year expense and the amortization of actual rate case expenses.

DEBT SERVICE COVERAGE

Northern Kentucky District proposed to use the debt service coverage (DSC) method to calculate its total revenue requirement in this matter.⁴⁴ Of the \$9,151,202 requested rate increase, \$928,359 is attributable to the debt service on the long-term financing previously approved in this case.⁴⁵

⁴⁰ Northern Kentucky District's Response to Staff's Second Request, Item 7.

⁴¹ Northern Kentucky District's Supplemental Response to Staff's First Request, Item 10 (filed Oct. 25, 2022).

⁴² Northern Kentucky District's Supplemental Response to Staff's First Request, Item 10.

⁴³ $\$31,411 - 10,470 = \$21,861$.

⁴⁴ Application at 5.

⁴⁵ See Northern Kentucky District's Response to Staff's First Request, Item 42, Exhibit 42-5. The 2022-2024 average of the debt service multiplied by the 0.20 debt service coverage gives the total rate impact. $\$574,128 + \$1,746,770 = \$2,230,898$. $\$2,230,898 / 3 = \$773,633$. $\$773,633 \times 1.20 = \$928,359$.

The Commission has generally used the DSC method to calculate the revenue requirement for water districts with outstanding long-term debt.⁴⁶ The DSC method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital; (3) the average annual principal and interest payments on all long-term debts, and (4) working capital that is in addition to depreciation expense.⁴⁷

Northern Kentucky District calculated a 3-year forecasted debt service, consistent with Commission precedent.⁴⁸ Northern Kentucky District used a debt service coverage ratio of 1.20, consistent with its debt covenants.⁴⁹ The Commission finds that Northern Kentucky District has correctly calculated its debt service and DSC, and the resulting revenue requirement is reasonable and is approved.

REVENUE REQUIREMENT DETERMINATION

Based on the adjustments as discussed above and Northern Kentucky District's current debt service, Northern Kentucky District's overall revenue requirement is \$67,753,146, which results in a required revenue increase of \$8,624,947 as calculated below.

⁴⁶ See Case No. 2017-00323, *Application of Jonathon Creek Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 17, 2017), Order (“The Commission has historically used a Debt Service Coverage method to calculate the revenue requirement for water districts or associations with outstanding long-term debt.”).

⁴⁷ Case No. 2021-00094, *Electronic Application of Garrison-Quincy-KY-O-Heights Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 24, 2021), Order at 24; see also *Public Service Commission of Ky. v. Dewitt Water District*, 720 S.W.2d 725, 732 (Ky. 1986) (“It is the holding of this Court that depreciation expense on a publicly-owned water district plant that has been purchased by federal grants and contributions and/or customer tap-on fees should be allowed in the revenue requirement because they have no private investor capital and their rates do not generate a return on rate base.”)

⁴⁸ Northern Kentucky District’s Response to Staff’s First Request, Item 42, Exhibit 42-5.

⁴⁹ Application, Exhibit A2 at 4.

	<u>Application</u>	<u>Final</u>
Average Debt Service	19,692,645	19,692,645
Multiplied by: Debt Service Coverage	<u>0.20</u>	<u>0.20</u>
Debt Service Coverage	3,938,529	3,938,529
Average Debt Service	19,692,645	19,692,645
Pro Forma Operating Expenses	32,809,879	32,238,441
Depreciation	12,235,799	12,235,799
Amortization of Acquisition Adjustment	201,120	201,120
Amortization of Sludge Removal	458,944	481,317
Taxes other than Income	<u>1,024,368</u>	<u>1,024,368</u>
Total Revenue Requirement	70,361,284	69,812,219
Less: Other Revenues	2,081,883	2,059,073
Revenue Requirement - Water Sales	68,279,401	67,753,146
Less: Normalized Revenues - Water Sales	59,127,347	59,127,347
Requested Increase	9,152,054	8,625,799
Rounding	<u>(852)</u>	<u>(852)</u>
Actual Increase	<u>9,151,202</u>	<u>8,624,947</u>
Percentage Increase	15.5%	14.6%

REVENUE ALLOCATION AND RATE DESIGN

Cost-of-Service Study

Northern Kentucky District included with its application a Cost-of-Service Study (COSS) performed by the firm of Gannett Fleming Valuation and Rate Consultants, LLC (Gannett). The study was performed following the procedures recommended by the American Water Works Association (AWWA) in its *Water Rates Manual M-1, Seventh Edition for the Base Extra Capacity Method*. In the past, the Commission has recognized the guidelines of the AWWA Manual M-1 as proper ratemaking procedures for water systems and accepts the study's findings.

Commission Staff did issue requests for information concerning the percentage of revenue being derived from the residential class and the maximum hour ratio used in the COSS to assign, allocate and develop the rates being proposed by Northern Kentucky District. In Northern Kentucky District's responses to the requests for information, Northern Kentucky District explained that the revenue being derived from the residential class was moving toward the COSS revenue for the residential class. Further, Northern Kentucky District explained that the maximum hour ratio of 2.40 was based upon professional judgement and experience of Gannett and that the ratio had previously been accepted by the Commission in previous rate cases.⁵⁰

The Commission accepts the explanation of these two items from the requests for information filed by Commission Staff and accepts the impact the explanations have on the rates in this case.

Requested Rates

Northern Kentucky District's proposed rates are based on the rate design currently applied to Northern Kentucky District's current customer classifications. The proposed rates consisted of a service charge by meter size that has no volumetric allowance and a three-step declining-block commodity charge. Under the proposed rate structure, Northern Kentucky District will continue to charge wholesale customers a flat per-CCF commodity charge.

Northern Kentucky District proposed to increase the monthly customer service charge from \$18.50 to \$20.90, an increase of approximately \$2.40, or an increase of approximately 12.97 percent and the quarterly customer service charge from \$40.50 to

⁵⁰ Northern Kentucky District's Response to Staff's First Request, Item 8(a) and (c).

\$45.50, an increase of approximately \$5.00, or an increase of approximately 12.35 percent.

Northern Kentucky District has proposed a two-year phase in of the rate increase being sought in the present case. In Phase 1, Northern Kentucky District proposed that rates sufficient to recover approximately 50 percent of the requested increase become effective upon approval of the Commission in this proceeding. In Phase 2, Northern Kentucky District proposed that the remaining 50 percent of the proposed increase would become effective one year after the date that Phase 1 rates become effective. The Commission accepts Northern Kentucky District's proposed rate design and its proposed phase in of the rate increase over two years.

Nonrecurring Charges

Northern Kentucky District provided revised cost justification pages in response to Commission Staff's requests for information. The Commission has been requesting that water utilities provide revised cost justifications of these charges. The Commission has been re-evaluating the expenses related to these nonrecurring charges, more specifically, the labor expense and other related expenses such as transportation and miscellaneous expenses.

The Commission continues to follow its previous decisions regarding nonrecurring charges: personnel are paid during normal business hours and their salaries are recovered through base rates. The Commission requires that charges be directly related to the actual cost incurred to provide the service. It is unreasonable to allocate an expense already incurred as a day-to-day cost of maintaining a system, such as the salary of a distribution operator, to a nonrecurring service such as the connection and

reconnection of a meter during normal working hours. Only the marginal costs related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. Therefore, the Commission finds that nonrecurring charges should each be reduced by the estimated labor costs stated in the cost justification sheets. The Commission accordingly finds the revised nonrecurring charges set out in Appendix B are reasonable and should be accepted, and as discussed above, that an adjustment of (\$22,810) to Other Water Revenues is reasonable to account for the reduction of the nonrecurring charges.

TARIFF REVISIONS

Service Connections Fee

Northern Kentucky District provided updated cost justification sheets for their 5/8-inch Meter connection with an increase of \$415.52 from \$1,000 to \$1,415.52,⁵¹ and for their 1-inch Meter connection with an increase of \$771.87 from \$1,500 to \$2,271.87.⁵² The Commission finds these increases to Northern Kentucky District's Service Connection Fees to be reasonable and that they should be approved.

Payment Plan and other Tariff changes

Northern Kentucky District proposed several revisions to certain tariff sections. Northern Kentucky District requested to change the title of the "Partial Payment Plan" to remove the word "Partial" and make it the "Payment Plan." Northern Kentucky District also proposed to include language to allow a customer with a past due balance of less than \$150 to request an extension of 30 days to pay off the balance and indicated that a

⁵¹ Northern Kentucky District's Response to Staff's Second Request, Item 13(e), Exhibit 13-1.

⁵² Northern Kentucky District's Response to Staff's First Request, Exhibit 44-1, page 665 of 674.

customer can ask for a payment plan when the past due balance is more than \$150.⁵³ Northern Kentucky District also requested to remove the Deposit language from its tariff⁵⁴ and some additional language changes to its tariff in general.⁵⁵ The Commission has reviewed the requested changes to the Payment Plan, the Deposit, and the other language revisions and finds that they are reasonable and should be accepted.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Northern Kentucky District are denied.
2. The Phase 1 general service rates and nonrecurring charges set forth in Appendix A to the Order are fair, just and reasonable, and are approved for service rendered on and after the date of this Order.
3. The Phase 2 rates as set forth in Appendix B to this Order are approved for service rendered by Northern Kentucky District effective one year from the date of this Order.
4. One month prior to the effective date of the Phase 2 rates, Northern Kentucky District shall publish notice of the revised rates.
5. Within 45 days of publishing notice required in ordering paragraph 4, Northern Kentucky District shall file proof of notice as required pursuant to 807 KAR 5:076, Section 5(3).
6. Northern Kentucky District's request to establish a regulatory asset treatment for its reservoir cleaning project is denied.

⁵³ Application, Exhibit M1, Section V, Customer Bill of Rights.

⁵⁴ Northern Kentucky District's Response to Staff's Second Request, Item 14(b).

⁵⁵ Application, Exhibit M1.

7. The revised Payment Plan, the removal of the Deposit language, and the other language revisions proposed are approved on and after the date of this Order.

8. Within 20 days of the entry of this Order, Northern Kentucky District shall file with the Commission, using the Commission's Electronic Tariff Filing System, new tariff sheets setting forth the rates and charges and the revisions approved herein and reflecting their respective effective dates and that they were authorized by this Order.

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

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PUBLIC SERVICE COMMISSION

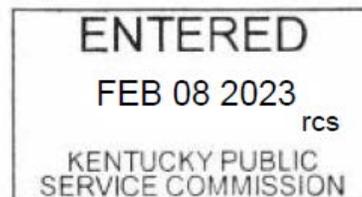


Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00161 DATED FEB 08 2023

The following rates and charges are prescribed for the customers in the area served by Northern Kentucky Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

PHASE 1 RATES

Monthly Meter Rates

<u>5/8- x 3/4-Inch Meter</u>	\$ 19.50	Minimum Bill
<u>3/4-Inch Meter</u>	20.00	Minimum Bill
<u>1-Inch Meter</u>	21.90	Minimum Bill
<u>1 1/2-Inch Meter</u>	24.70	Minimum Bill
<u>2-Inch Meter</u>	31.20	Minimum Bill
<u>3-Inch Meter</u>	75.10	Minimum Bill
<u>4-Inch Meter</u>	94.20	Minimum Bill
<u>6-Inch Meter</u>	139.40	Minimum Bill
<u>8-Inch Meter</u>	188.20	Minimum Bill
<u>10-Inch Meter and larger</u>	250.40	Minimum Bill

Monthly Usage Rates

First	1,500	Cubic Feet	\$0 .0515	per Cubic Foot
Next	163,500	Cubic Feet	\$0 .0479	per Cubic Foot
Over	165,000	Cubic Feet	\$0 .0354	per Cubic Foot

PHASE 1 RATES

Quarterly Meter Rates

<u>5/8- x 3/4-Inch Meter</u>	\$ 42.85	Minimum Bill
<u>3/4-Inch Meter</u>	44.95	Minimum Bill
<u>1-Inch Meter</u>	51.65	Minimum Bill
<u>1 1/2-Inch Meter</u>	61.05	Minimum Bill
<u>2-Inch Meter</u>	85.60	Minimum Bill
<u>3-Inch Meter</u>	266.40	Minimum Bill
<u>4-Inch Meter</u>	333.80	Minimum Bill
<u>6-Inch Meter</u>	493.25	Minimum Bill
<u>8-Inch Meter</u>	674.05	Minimum Bill
<u>10-Inch Meter and larger</u>	880.15	Minimum Bill

Quarterly Usage Rates

First	4,500	Cubic Feet	\$0 .0515	per Cubic Foot
Next	490,500	Cubic Feet	\$0 .0479	per Cubic Foot
Over	495,000	Cubic Feet	\$0 .0354	per Cubic Foot
Wholesale Rate			\$0 .0321	per Cubic Foot
Bulk Loading Customers			\$0 .00689	per Gallon

Nonrecurring Charges

Fire Hydrant Permit 3" with 2 ½ Outlet	\$16.00
Meter Test Charge	\$4.00
Overtime Charge	\$49.00
Return Check Charge	\$5.00
Service Charge	\$4.00
Service Connection Fees	
5/8-Inch Meter	\$1,403.83
1-Inch Meter	\$2,271.87

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00161 DATED FEB 08 2023

The following rates and charges are prescribed for the customers in the area served by Northern Kentucky Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

PHASE 2 RATES

Monthly Meter Rates

<u>5/8-Inch Meter</u>	\$20.45	Minimum Bill
<u>3/4-Inch Meter</u>	\$21.40	Minimum Bill
<u>1-Inch Meter</u>	\$23.00	Minimum Bill
<u>1 1/2-Inch Meter</u>	\$25.90	Minimum Bill
<u>2-Inch Meter</u>	\$32.70	Minimum Bill
<u>3-Inch Meter</u>	\$78.80	Minimum Bill
<u>4-Inch Meter</u>	\$98.90	Minimum Bill
<u>6-Inch Meter</u>	\$146.40	Minimum Bill
<u>8-Inch Meter</u>	\$197.60	Minimum Bill
<u>10-Inch Meter and larger</u>	\$262.90	Minimum Bill

Monthly Usage Rates

First	1,500	Cubic Feet	\$0 .0552	per Cubic Foot
Next	163,500	Cubic Feet	\$0 .0513	per Cubic Foot
Over	165,000	Cubic Feet	\$0 .0383	per Cubic Foot

PHASE 2 RATES

Quarterly Meter Rates

<u>5/8- x 3/4-Inch Meter</u>	\$45.20	Minimum Bill
<u>3/4-Inch Meter</u>	\$47.40	Minimum Bill
<u>1-Inch Meter</u>	\$54.40	Minimum Bill
<u>1 1/2-Inch Meter</u>	\$64.40	Minimum Bill
<u>2-Inch Meter</u>	\$90.30	Minimum Bill
<u>3-Inch Meter</u>	\$281.00	Minimum Bill
<u>4-Inch Meter</u>	\$352.10	Minimum Bill
<u>6-Inch Meter</u>	\$520.30	Minimum Bill
<u>8-Inch Meter</u>	\$711.00	Minimum Bill
<u>10-Inch Meter and larger</u>	\$928.40	Minimum Bill

Quarterly Usage Rates

First	4,500	Cubic Feet	\$0 .0552	per Cubic Foot
Next	490,500	Cubic Feet	\$0 .0513	per Cubic Foot
Over	495,000	Cubic Feet	\$0 .0383	per Cubic Foot
Wholesale Rate			\$0 .0343	per Cubic Foot
Bulk Loading Customers			\$0 .00738	per Gallon

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