

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NORTHERN)
KENTUCKY WATER SERVICE)
DISTRICT FOR PERMISSION OR) CASE NO. 98-079
CERTIFICATE TO CONSTRUCT)
VARIOUS NORMAL EXTENSIONS TO)
ITS WATER SYSTEM; TO MAKE)
REPLACEMENTS; TO INSTALL)
BETTERMENTS IN THE EXISTING)
WATER TREATMENT PLANTS; TO)
MAKE STUDIES OF ITS WATER)
SUPPLY NEEDS; AND TO INCREASE)
STORAGE CAPACITY [FUNDING WILL)
BE FROM CASH FLOWS AND NOTES)
AUTHORIZED BY STATUTE])

O R D E R

On February 10, 1998, Northern Kentucky Water Service District ("Northern Kentucky District") applied for a Certificate of Public Convenience and Necessity for 44 construction projects that are set forth in its 1998-1999 and 1999-2002 capital budgets.

The Commission entered an Interim Order on April 7, 1998, granting Northern Kentucky District a Certificate of Public Convenience and Necessity on Project K of its 1998-1999 Capital Budget for the construction of a new chemical storage and feed building at Northern Kentucky District's Taylor Mill Water Treatment Plant.

On April 14, 1998, Northern Kentucky District moved the Commission for an Order classifying 33 of the remaining 43 proposed construction projects as extensions in the ordinary course of business. In support of its motion, Northern Kentucky District states that

the proposed projects set forth in its motion do not require a certificate as they qualify as ordinary extensions pursuant to 807 KAR 5:001, Section 9(3).

Having considered the motion and the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. KRS 278.020(1) requires a utility to obtain from the Commission a Certificate of Public Convenience and Necessity prior to the construction of any plant, equipment, property or facility, with certain exceptions, including ordinary extensions of existing systems in the usual course of business.

2. 807 KAR 5:001, Section 9(3), provides that extensions in the ordinary course do not require a Certificate of Public Convenience and Necessity if they do not create wasteful duplication of plant, or conflict with an existing certificate or service of another utility operating in the same area and jurisdictional to the Commission, and the capital outlay required does not materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

3. Northern Kentucky District intends to finance the proposed projects from internally generated funds and short-term borrowing.

4. Notes issued by a utility for proper purposes and not in violation of law, that are payable at periods of not more than two years from the date thereof, or like notes, payable at a period of not more than two years from the date thereof, that are issued to pay or refund any such notes, or renewals of such notes, not to exceed in the aggregate six years from date of issue of original note do not require prior approval of the Commission.

5. Neither KRS Chapter 278 nor Section 807 of Kentucky Administrative Regulations requires that projects determined by the Commission to be in the ordinary course of business be started within one year. Therefore, although construction on many of the projects included in Northern Kentucky District's motion are not slated to begin until and after the year 2000, the Commission finds that the following proposed projects meet the requirements of 807 KAR 5:001, Section 9(3) and should be considered extensions in the ordinary course of business as long as financing continues to be from internally generated funds and short-term borrowing. In the event that financing on any of the projects listed below is converted to long-term debt, the Commission shall be notified immediately.

Project A	Harris Pike- Water Main	\$ 559,984
Project C	Highland Avenue, Kenton Co. Water Main	625,622
Project D	Highland to Orchard - Water Main	553,282
Project E	Memorial Parkway/Clover Ridge - Water Main	450,000
Project F	Morris Road - Water Main	566,820
Project G	Upper Eight Mile Road - Water Main	225,000
Project H	Dixie Highway to DeVon Park - Replacement	770,729
Project I	Highland Pike - Water Main	719,960
Project L	Richard Road Pump Station - addition of third pump on existing foundation and Tee	175,000
Project P	Ky 17, Hill Crest to Polly Road - Water Main	328,000
Project R	Mainline Replacement - Replace Water Main	500,000
Project X	Shaw Road: Wilson Road to Ky 17 - Water Main	635,553
Project AA	Ky. 17, Shaw-Ky 16, Sub District B - Water Main	225,000

Project BB	Memorial Parkway - Clover Ridge - Bellevue - Water Main	550,000
Project CC	John's Hill Road to Ky. 9 at Banklick - Water Main	125,000
Project DD	Ky. 9, Banklick to Staffen Road, - Extend Water Main	500,000
Project EE	E. Alexandria Pike - U.S. 27, - Replaces Water Main	400,000
Project FF	Upper Tug Road, E. Alex, Popular Ridge - Water Main	700,000
Project KK	Low Gap Road, Ky. 9 - Water Main	75,000
Project LL	Alexandria Point Subdivision from Ky. 9- Water Main	100,000
Project MM	Covert Run Pike to Lincoln Road - Water Main	50,000
Project NN	Old State Road to Flatwood - Extension of Water Main	375,000
Project OO	Persimmon Grove- Water Main	300,000
Project PP	Burns Road - Water Main	250,000
Project RR	Flatwood to Persimmon Grove- Water Main	450,000
Project SS	Baffle Clearwell - To comply with the Safe Drinking Water Act. Installation of hypalon sheeting	500,000
Project UU	Sodium Hypochlorite at Pump Station - replace four distribution pump stations with a liquid sodium hypochlorite system	200,000
Project VV	Sodium Hypochlorite at FTTP - to convert the Fort Thomas Treatment Plant fuel system from gas chlorine to liquid sodium hypochlorite	200,000

6. Due to the magnitude of Project B, it cannot be considered an extension in the ordinary course of business. Northern Kentucky District must acquire a Certificate of Public Convenience and Necessity for this project.

7. The Projects designated GG, HH, II, and JJ are all feeder lines for a new water tower proposed by Northern Kentucky District and designated in the application as Project V. As the usefulness of these four projects depends entirely upon completion of

the water tower, they should each be considered a part of Project V and denied classification as an extension of an existing system in the ordinary course of business.

8. Pursuant to the application filed by Northern Kentucky District, construction is not estimated to begin on several of the projects that require certification until and after the year 2000. These projects are designated in the application as Projects Q , V, W, Y, and QQ. KRS 278.020 voids a certificate of convenience and necessity unless it is exercised within one year from the grant thereof. Therefore, the Commission finds that the application for certificates for Projects Q, V, W, Y, and QQ should be dismissed as prematurely filed. Inasmuch as the Commission has determined that Projects GG, HH, II, and JJ should be considered a part of Project V, the applications on these projects should likewise be dismissed as prematurely filed.

9. Upon entry of this Order, only the following six proposed construction projects will remain of the 44 proposed in Northern Kentucky District's February 10, 1998 application. Northern Kentucky District must acquire a Certificate of Public Convenience and Necessity on these projects pursuant to Commission Regulations 807 Chapter 5 and Kentucky Revised Statutes.

Project B	Newport Pump Station	\$ 1,400,000
Project J	New SCADA Phase I	1,700,000
Project S	SCADA Phase II	2,400,000
Project U	Sub District C - Upgrade Main	1,826,000
Project Z	Water Main along Ky. 17 - 8,300 LF	981,183
Project TT	New Laboratory	900,000

IT IS THEREFORE ORDERED that:

1. Northern Kentucky District's Motion for Interim Order to Classify Ordinary Extensions is granted in part and denied in part.

2. Projects A, C, D, E, F, G, H, I, L, P, R, X, AA, BB, CC, DD, EE, FF, KK, LL, MM, NN, OO, PP, RR, SS, UU, and VV are all extensions in the ordinary course of business as long as the financing for these projects continues to be from internally generated funds and short-term notes. In the event that financing on these projects is converted to long-term debt, Northern Kentucky District shall immediately notify the Commission.

3. Project B is denied classification as an extension in the ordinary course of business.

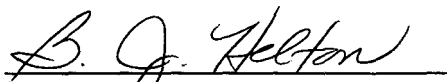
4. Applications for Certificates of Public Convenience and Necessity have been prematurely filed on Projects Q, V, W, Y, and QQ and are therefore dismissed without prejudice.

5. Projects GG, HH, II, and JJ are denied classification as extensions in the ordinary course of business and are hereby ordered to be a part of the certificate process on the proposed water tower, Project V. Inasmuch as the application for a Certificate of Public Convenience and Necessity on Project V has been dismissed as prematurely filed, the applications on these projects are likewise dismissed without prejudice.

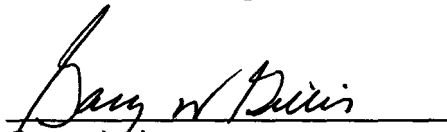
6. Certificates of Public Convenience and Necessity must be acquired for Projects B, J, S, U, Z and TT.

Done at Frankfort, Kentucky, this 9th day of June, 1998.

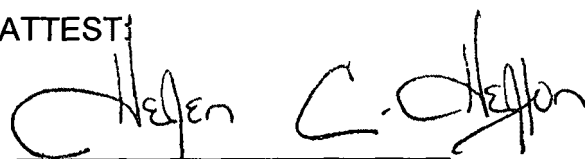
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director