COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN KENTUCKY WATER DISTRICT FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND FINANCING FOR THE CONSTRUCTION OF THE TAYLOR MILL TREATMENT PLANT IMPROVEMENTS	))))))	CASE NO. 2026-00223

O R D E R

On August 21, 2026, Northern Kentucky Water District (Northern Kentucky District) filed an application, pursuant to KRS 278.020 and KRS 278.300, requesting a Certificate of Public Convenience and Necessity (CPCN) for a Taylor Mill Treatment Plan Improvements Project (Project) and for approval of its plan to finance the proposed Project.[1] Northern Kentucky District stated that it would fund the $3,500,000 cost of the Project using a $2,948,452 State Revolving Fund Loan F25 009S (SRF Loan) and $551,548 from a future Bond Anticipation Note or cash fund.[2]

No party requested intervention in the proceeding. Northern Kentucky District responded to two requests for information.[3] On October 9, 2026, Northern Kentucky District filed a motion for a decision on the record. On October 16, 2026, the Commission issued an Order finding good cause to continue the review of the application beyond the

[1] Application (filed Aug. 20, 2026).

[2] Application at 5.

[3] Northern Kentucky District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Sept. 28, 2026); Northern Kentucky District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Oct. 9, 2026).

60-day period specified in KRS 278.300(2) so that the Commission can conduct a thorough review of the proposed Project. The matter stands submitted for a decision by the Commission.

BACKGROUND

Northern Kentucky District is a water district organized under KRS Chapter 74 that provides water service to retail customers in Kenton, Boone and Campbell Counties, Kentucky and sells water at wholesale to non-affiliated water distribution systems in Kenton, Boone, Pendleton and Campbell Counties, Kentucky.[4] Northern Kentucky District stated that the Project is required to allow it to provide adequate service to its customers and includes the following components: Ultraviolet Disinfection System (UV DS) replacement; Powered Activated Carbon (PAC) storage and feed improvements; structural repair of the flocculation and sedimentation basins and the tunnel; and Fort Thomas diversion piping modifications.[5] Northern Kentucky District stated that it issued a formal Invitation to Bid and advertised the invitation in accordance with KRS 424.260 and the requirements for the SRF Loan.[6]

Ultraviolet (UV) Treatment System Improvements

Northern Kentucky District stated that the UV DS was installed in 2007 and is composed of two TrojanUVSwift 24 reactors.[7] The preliminary engineering report provided by Northern Kentucky District indicated that the UV Train 1 reactor has

[4] Application at 2.

[5] Northern Kentucky District's Response to Staff's Second Request, Item 2.

[6] Northern Kentucky District's Response to Staff's First Request, Item 2.

[7] Application, Exhibit A-3 at 4.

intermittent failures, the UV Train 2 reactor is not currently functional, and the uninterruptible power supply (UPS) installed along with the UV units was not functional.[8]

Northern Kentucky District determined that a medium pressure UV system will meet the minimum disinfection requirements under the plant's per day treatment capacity.[9] Northern Kentucky District stated that it rejected a UV LED alternate proposed by the project engineer to replace both UV reactors after considering the life-cycle cost analysis.[10] Northern Kentucky District explained that although the UV LED alternate system would have reduced the bid by $52,000, it would cost approximately $7,800 more per year to operate than the selected medium-pressure UV system.[11]

PAC Storage and Feed Improvements

Northern Kentucky Water District stated that the Taylor Mill Treatment Plant currently uses PAC in its water pretreatment strategy to address potential taste and odor compounds by injecting a PAC slurry in the raw water influent line ahead of rapid mixing and flocculation.[12] Northern Kentucky District stated that its current system can only feed PAC at low doses, using a temporary storage and feed system, and that it is labor intensive and relies on staff handling PAC bags by hand.[13] Northern Kentucky District's preliminary engineering report considered the advantages and disadvantages of three alternative PAC upgrades including Bulk Bag System, Silo System, and Bulk Slurry

[8] Application, Exhibit A-3.

[9] Northern Kentucky District's Response to Staff's Second Request, Item 2.

[10] Northern Kentucky District's Response to Staff's Second Request, Item 5.

[11] Northern Kentucky District's Response to Staff's Second Request, Item 5,

[12] Application, Exhibit A-3 at 12.

[13] Application, Exhibit A-3 at 14.

Storage and Feed System.[14] Northern Kentucky District stated that its selected PAC system will allow it to dispose of the existing PAC and Filter-Aid Polymer systems.[15]

Structural Repairs

Northern Kentucky District's engineering team performed a condition assessment for the reinforced concrete structural elements in the tunnel connecting the Chemical Building to the Filter Building and the concrete effluent launder troughs around the perimeter of both sedimentation clarifier basins.[16] Northern Kentucky District stated that its preliminary engineering report and the Lynch Mykins Report[17] found that the reinforced concrete corbel supporting the tunnel slab "is heavily damaged and requires repair" and the sedimentation basin troughs are deteriorating, with cracks, spalls, and exposed reinforcing steel.[18] Northern Kentucky District stated that the aforementioned reports documented that cracks through the basin walls show mineral deposits, which indicate water may be leaking through the basin walls.[19] Northern Kentucky District stated that the proposed project includes structural concrete repair and rehabilitation work for the interior and exposed exterior surfaces of the flocculation and sedimentation basins as well as inside the below-grade walkway tunnel.[20]

[14] Application, Exhibit A-3 at 19.

[15] Application, Exhibit A-1.

[16] Application, Exhibit A-3 at 36.

[17] Application, Exhibit A-3 at 36-39 and Application, Attachement A.

[18] Northern Kentucky District's Response to Staff's Second Request, Item 3.

[19] Northern Kentucky District's Response to Staff's Second Request, Item 3.

[20] Application, Exhibit A-1.

Fort Thomas Diversion

Northern Kentucky District stated that the Taylor Mill Treatment Plant is located within the Fort Thomas Treatment Plant service area.[21] Northern Kentucky District explained that Fort Thomas water now enters Section 1 of the Taylor Mill clearwell and as a result, most of the finished water in the clearwell is not turned over or flushed, which is a problem when the plant is not in regular use for days, weeks, or months.[22] Northern Kentucky District stated that updating the Fort Thomas Diverter Valve would send Fort Thomas water to Section 3 of the clearwell and the existing diverter would remain as an emergency backup.[23] Northern Kentucky District stated that the Fort Thomas diversion requires removing existing piping, fittings, and appurtenances; furnishing and installing piping, fittings, valves with electric motor actuators, and appurtenances; and associated electrical and controls work.[24]

Bids

Northern Kentucky District issued a formal Invitation to Bid on June 24, 2026, in accordance with KRS 424.260 and the requirements for the SRF Loan.[25] Northern Kentucky District evaluated the bids provided by Building Crafts, Inc., Howell Contractors, Inc., and MAC Construction & Excavating, Inc.[26] Northern Kentucky District stated that it

[21] Application, Exhibit A-3 at 31.

[22] Northern Kentucky District's Response to Staff's Second Request, Item 3

[23] Northern Kentucky District's Response to Staff's Second Request, Item 3

[24] Application, Exhibit A-1.

[25] Northern Kentucky District's Response to Staff's First Request, Item 2.

[26] Northern Kentucky District's Response to Staff's Second Request, Item 5.

selected Building Crafts, Inc.'s bid of $2,680,411, which was the lowest bidder on total base bid cost under both the Non-SRF and SRF scenarios.[27]

FINANCING

Northern Kentucky District stated that the budget for the total Project is $3,500,000 and will be funded using a $2,948,452 SRF Loan at a 2.75 percent interest rate and a 0.30 percent servicing fee repaid over a period not to exceed 20 years from the date of initiation of operations for the Project,[28] and $551,548 from a future Bond Anticipation Note or cash fund that includes construction cost, engineering, and contingencies.[29] Northern Kentucky District stated that no rate adjustment is being proposed as part of this Application and there are no new customers anticipated as a result of this project.[30]

LEGAL STANDARD

The Commission's standard of review regarding a CPCN is well settled. No utility may construct or acquire any facility to be used in providing utility service to the public until it has obtained a CPCN from the Commission.[31] To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.[32]

[27] Northern Kentucky District's Response to Staff's Second Request, Item 5.

[28] Application, Exhibit E-2, Conditional Commitment Letter, Attachment A, paragraphs 3, 6, and 7.

[29] Application at 3, Financing, paragraph 15e.

[30] Northern Kentucky District's Response to Staff's First Request, Item 3.

[31] KRS 278.020(1). Although the statute exempts certain types of projects from the requirement to obtain a CPCN, the exemptions are not applicable to this matter.

[32] *Kentucky Utilities Co. v. Public Service Com'n*, 252 S.W.2d 885,890 (Ky. App. 1952).

"Need" requires:

> [A] showing of a substantial inadequacy of existing service, involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed or operated. [T]he inadequacy must be due either to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business; or to indifference, poor management, or disregard of the rights of consumers, persisting over such a period of time as to establish an inability or unwillingness to render adequate service.

"Wasteful duplication" is defined as "an excess of capacity over need" and "an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of physical properties."[33] To demonstrate that a proposed facility does not result in wasteful duplication, the Commission has held that the applicant must demonstrate that a thorough review of all reasonable alternatives has been performed.[34] Although cost is a factor, selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.[35] All relevant factors must be balanced.[36]

KRS 278.300 requires Commission authorization before a utility may "issue any securities or evidence of indebtedness or assume any obligation or liability in respect to

---

[33] *Kentucky Utilities Co.*, 252 S.W.2d 885, 890.

[34] Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005), Order at 11.

[35] See *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 390 S.W.2d 168, 175 (Ky. 1965). See also Case No. 2005-00089, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of a 138 kV Electric Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005), Order at 6.

[36] Case No. 2005-00089, Aug. 19, 2005, Order at 6.

the securities or evidence of indebtedness of any other person.[37] KRS 278.300 only applies to notes that have a term of more than two years.[38] KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

> The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

DISCUSSION AND FINDINGS

Having considered the application and all evidence in the record, the Commission finds that the Northen Kentucky District's request for a CPCN should be granted as discussed below.

Northern Kentucky District's Preliminary Engineering Report supported Northern Kentucky Distict's need to update its UV DS as its current system was installed in 2007 and of the two reactors used to treat water, one UV reactor is non-functional and the other has experienced intermittent failures.[39] Northern Kentucky District considered the useful life and cost of alternative systems.

Northern Kentucky District stated that the current temporary PAC feed system at the Taylor Mill Treatment Plant can feed PAC only at low doses and is labor intensive from physically handling the PAC bags, to preparing the PAC slurry batch tank, to

[37] KRS 278.300(1).

[38] KRS 278.300(8).

[39] Application, Exhibit A-3 at 4.

manually monitoring and controlling the PAC feed pumps. Northern Kentucky District stated that PAC storage and feed system upgrades and improvements would reduce staff labor and allow for higher dosages of PAC to aid in the removal of organic compounds, including those that form disinfection biproducts.[40]

Further, Northern Kentucky District demonstrated the need for structural improvements to the identified portions of the treatment plant by providing an engineering report documenting visible deterioration and fallen concrete fragments in the tunnel, and the paint of both walls, particularly the south side, is peeling at numerous locations due to water intrusion.[41] Further, the engineering report stated that the sedimentation clarifier basins had several areas with larger cracks that were visible through the inner trough wall, which corresponded to expansion joint locations in the exterior walls.[42] Northern Kentucky District stated that the Fort Thomas diversion piping would transport water to the necessary section of the plant and allow the existing diverter to remain as an emergency backup.[43]

Lack of Wasteful Duplication:

Northern Kentucky District stated that the estimated useful life of the proposed improvements is 37.5 years and the estimated useful life of its proposed Water Treatment

[40] Northern Kentucky District's Response to Staff's Second Request, Item 3.

[41] Application, Exhibit A-3 at 36.

[42] Application, Exhibit A-3 at 36

[43] Northern Kentucky District's Response to Staff's Second Request, Item 3.

Equipment is 30 years.[44] Northern Kentucky District stated that it estimated the Project will result in an operation and maintenance (O&M) cost of $55,000 per year.[45]

Northern Kentucky District provided documentation that the project was recommended as part of the Asset Management Program, which reviewed over 125 systems at the Taylor Mill Treatment Plant for their condition, performance and reliability. The Asset Management Program plan included a complete UV DS replacement, PAC system upgrades, Fort Thomas diversion piping and major structural rehabilitations to the Taylor Mill Treatment plant as part of its 5-year Capital Improvement Plan.[46] Northern Kentucky District evaluated alternatives to each component of the proposed Projects and determined that the alternatives would not meet Northern Kentucky District's future needs. Additionally, Northern Kentucky District solicited bids for the project through a competitive bid process which reflects Northern Kentucky District's efforts to avoid excessive investment in its facilities.

For the reasons discussed above and having reviewed the record and being otherwise sufficiently advised, the Commission finds that the proposed project is needed and will not result in wasteful duplication, and therefore, that the CPCN for the proposed project should be granted.

Financing:

Having considered the evidence of the record and being otherwise sufficiently advised, the Commission finds that the financing for which Northern Kentucky District

[44] Northern Kentucky District's Response to Staff's First Request, Item 4.

[45] Northern Kentucky District's Response to Staff's First Request, Item 5.

[46] Application, Exhibit A-7 at 41 and 45.

requests approval is for a lawful object within the corporate purposes of Northern Kentucky District and reasonably necessary and appropriate for Northern Kentucky District to meet its statutory duty to provide adequate, efficient, and reasonable service.

The lawful object of the utility's purpose is to provide adequate, efficient and reasonable service at fair, just and reasonable rates. The proposed financing, through a SRF Loan and a Kentucky Infrastructure Authority (KIA) assistance agreement, meets the lawful object of the utility's purpose as it will assist Northern Kentucky District in system upgrades that are supported by Northern Kentucky District's preliminary engineering report.

Finally, the Commission finds that the proposed financing is necessary, appropriate for and consistent with the proper performance of Northern Kentucky District's service to the public and will not impair Northern Kentucky District's ability to perform that service to its customers, as Northern Kentucky District's application demonstrated adequate cash flow to repay the financing.[47]

Financial Condition

Northern Kentucky District's financial snapshot is presented below. Based on a review of Commission records, Northen Kentucky District last sought a general rate adjustment in Case No. 2022-00161 (2021 test year), which became final on February 8, 2023, and reflected a revenue increase of $8,624,947 or 14.6 percent.[48] This rate

[47] Application, Exhibit E-2, Conditional Commitment Letter, Attachment B Executive Summary and Credit Analysis, Financial Summary Table.

[48] Case 2022-00161, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions,* (Ky. PSC Feb. 8, 2023).

increase was implemented equally in two phases.[49] The effects of the proposed Project, including depreciation, O&M, and debt service, are shown in the Impact and Pro Forma columns presented below.

Description / Year	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Audited 2025	Impact	Pro Forma
Adjusted Net Income							
Net Income / (Loss)	$ 11,976,385	$ 12,883,234	$ 20,134,109	$ 26,006,609	$ 32,822,431	$ (296,803)	$ 32,525,628
Other Non-recurring Items ( )	155,844	(20,899)	258,920	(1,876,898)	(12,356,887)	-	(12,356,887)
Non-Cash Pension and OPEB Expense / (Income)	1,297,741	600,948	(2,016,947)	(2,582,071)	(2,437,575)	-	(2,437,575)
Interest Expense	5,826,155	4,940,084	5,115,954	4,653,502	4,104,114	121,803	4,225,917
Adjusted Net Income / (Loss)	**19,256,125**	**18,403,367**	**23,492,036**	**26,201,142**	**22,132,083**	**(175,000)**	**21,957,083**
Interest Expense ( )	(5,826,155)	(4,940,084)	(5,115,954)	(4,653,502)	(4,104,114)	(121,803)	(4,225,917)
Principal Payments ( )	(12,752,459)	(13,354,436)	(19,990,010)	(14,507,556)	(15,366,967)	(126,583)	(15,493,550)
Subtract: Total Debt Service ( )	(18,578,614)	(18,294,520)	(25,105,964)	(19,161,058)	(19,471,081)	(248,386)	(19,719,467)
Rate-Based Income (Excludes Working Capital of 20%)	**677,511**	**108,847**	**(1,613,928)**	**7,040,084**	**2,661,002**	**(423,386)**	**2,237,616**
Add: Depreciation and Amortization Expense	12,436,919	12,487,979	12,898,754	13,077,527	13,999,245	120,000	14,119,245
Cash Basis Income	**$ 13,114,430**	**$ 12,596,826**	**$ 11,284,826**	**$ 20,117,611**	**$ 16,660,247**	**$ (303,386)**	**$ 16,356,861**
Rate Based Income as Percent of Water Sales	1%	0%	-2%	10%	4%		
Cash Basis Income as Percent of Depreciation	105%	101%	87%	154%	119%		
Capital Spending	$ 10,316,463	$ 14,884,910	$ 20,110,291	$ 16,792,290	$ 30,144,148		
Cash and Investments							
Unrestricted Cash and Investments	$ 47,098,157	$ 46,032,464	$ 46,766,002	$ 45,632,358	$ 44,726,944		
Restricted Funds	66,089,961	63,616,129	51,351,450	52,694,908	53,509,857		
Adjusted Cash Balances	$ 113,188,118	$ 109,648,593	$ 98,117,452	$ 98,327,266	$ 98,236,801		
Net Increase (Decrease) in Cash	$ 27,819,082	$ (3,539,525)	$ (11,531,141)	$ 209,814	$ (90,465)		
Selected Statistical Information (PSC Annual Reports)							
Customer Count	85,838	86,502	87,111	87,682	88,227		
Gallons Produced	9,713,936	9,697,610	9,714,845	10,028,607	10,082,369		
Gallons Sold	7,556,889	7,651,226	7,917,188	8,135,838	7,893,084		
Gallons Used for Internal Use	428,140	404,062	407,182	425,889	436,841		
Water Loss Gallons	1,728,907	1,642,322	1,390,475	1,390,475	1,752,444		
System Use Percentage	4.41%	4.17%	4.19%	4.25%	4.33%		
Water Loss Percentage	17.7982%	16.9353%	14.3129%	13.8651%	17.3813%		
Gallons Sold Per Customer Per Month	7,336	7,371	7,574	7,732	7,455		
Revenues from the Sale of Water	$ 58,983,695	$ 59,541,043	$ 65,724,504	$ 71,779,299	$ 70,076,786		
Purchased Water Expense	0	0	0	0	0		
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0		
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.00%	0.00%		

Commission reminds North Kentucky District that it is responsible for ensuring that its base rates remain sufficient to meet operating expenses, debt service, and system

[49] Case 2022-00161, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions,* (Ky. PSC Feb. 8, 2023), at 21, Appendix B.

maintenance. Northern Kentucky District should review its financial performance annually and consider filing a base rate adjustment application at least every three to five years.

For the reasons discussed in more detail above, the Commission finds that the CPCN should be granted, and the plan of financing should be approved.

IT IS THEREFORE ORDERED that:

1. Northern Kentucky District is granted a CPCN for the proposed project as submitted.

2. Northern Kentucky District shall immediately notify the Commission in writing upon knowledge of any material changes to the project, including, but not limited to, increase in costs and any significant delays in construction.

3. Any material deviation from the construction approved by this Order shall be undertaken only with prior approval of the Commission.

4. Northern Kentucky District shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs (e.g., engineering, legal, and administrative), within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

5. Northern Kentucky District shall file a certified statement that the construction has been satisfactorily completed in accordance with the construction plans and specifications within 60 days of the substantial completion of the construction discussed herein.

6. Northern Kentucky District is authorized to enter into a loan in the amount of $2,948,452 with KIA, maturing over a period of 20 years and with an interest rate not to exceed 2.75 percent.

7. The proceeds of the loans shall be used only for the purposes specified in Northern Kentucky District's application.

8. Northern Kentucky District shall only execute the loan documents to the extent their terms and conditions are consistent with the loans described in its application, except as otherwise authorized herein.

9. Northern Kentucky District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

10. Northern Kentucky District shall notify the Commission in writing one week prior to the actual start of construction.

11. Northern Kentucky District shall file notice of 50 percent completion within 30 days of such action.

12. Northern Kentucky District shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

13. Any documents filed in the future pursuant to ordering paragraphs 4 and 5 of this Order shall reference this case number and shall be retained in Northern Kentucky District's post-case correspondence file.

14. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Northern Kentucky District's showing of good cause for such extension.

15. Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

16. This case is closed and removed from the Commission's docket.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Entered on this 13th day of November, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:

Justin McNeil RP

Justin McNeil
Executive Director

Service List for Case 2026-00223

* Cassandra Zoda
Northern Kentucky Water District
2835 Crescent Springs Road
P. O. Box 18640
Erlanger, KY 41018-0640

* Northern Kentucky Water District
2835 Crescent Springs Road
P. O. Box 18640
Erlanger, KY 41018-0640

* Stacey Kampsen
Northern Kentucky Water District
2835 Crescent Springs Road
P. O. Box 18640
Erlanger, KY 41018-0640

* Tom Edge
Northern Kentucky Water District
2835 Crescent Springs Road
P. O. Box 18640
Erlanger, KY 41018-0640

* Denotes served by Email