

- Q1. Refer to NKWD's response to Commission Staff's Second Information Request, Item 1.
- Q1a. Explain in detail why the annual automobile allowance of \$18,000 that NKWD pays to its President is reasonable.
- A1a. A part of the duties and responsibilities of the President and Chief Executive Officer is to oversee the development and implementation of a comprehensive community involvement and education program to create a positive and visible presence in the Northern Kentucky region. Along with the day to day operations and management duties, the overall responsibilities require numerous out of the office functions and meetings, at various locations, during all times of the day and evening. The allowance is a component of the overall compensation package. In addition, the allowance provides the President and CEO the necessary vehicle, maintenance, and other transportation expenses to carry out these duties and responsibilities. The allowance is a reasonable expense for the President and CEO of the largest water district in the state of Kentucky and the third largest water provider in the Commonwealth.
- Q1b. State whether the annual automobile allowance of \$18,000 paid to NKWD's President has been included in NKWD's pro forma salaries.
- A1b. Yes
- Q1c. State NKWD's expected annual cost if it provided its President a company automobile in lieu of an automobile allowance. Show all calculations and state all assumptions used to develop the expected annual cost.
- A1c. See attached schedule.
- Q1d. Describe the recordkeeping requirements that NKWD imposes upon its President to document his personal automobile expenses and usage.
- A1d. The requirements of a non-accountable plan are defined by the Internal Revenue Service and do not require any specific recordkeeping. Amounts paid are taxable and included in gross income.
- Q1e. Provide all written policies that NKWD has currently in effect that address the automobile allowances to its officers.
- A1e. None

Witness: Bragg

- Q1f. Provide the minutes of each NKWD Board of Commissioners meeting held since January 1, 2005 in which an automobile allowance to any NKWD officer is discussed.
- A1f. None. Specific personnel matters discussed by the Board in Executive Session are not recorded in the minutes.

**Annual Cost Calculation
District Owned Vehicle-CEO**

	Assumptions	Annual Cost	Notes
Auto Cost	\$40,000.00		
Depreciable Life In Years	5		
Annual Depreciation		\$8,000	Assumes original cost \$40,000 Depreciate over five years
Estimated miles driven annually	18,000		
Estimated Avg. Miles Per Gallon	20		
Gallons Consumed	900		
Estimated Average Cost Fuel Per Gallon	\$2.75		
Estimated Fuel Cost		\$2,475	Assumes 12,000 mi. traveled 20 MPG fuel @ \$2.75/gal.
Insurance Cost		\$1,500	
Annual Maintenance		\$1,500	Includes License Fee
Total Annual Cost		<u>\$13,475</u>	

- Q2. Refer to NKWD's response to Commission Staff's Second Information Request, Items 5(a) and 5(b). Provide the dollar amount for each revenue account listed in 5(a) that was used by NKWD to calculate its "Revenue As Adjusted" of \$42,486,874.
- A2. See attached schedule.

		NKWD_PSCDR3_2_09142010	
		Rate Case 2010-00094	
		Q2	
		Witness: Bragg	
		2009	
461-0001-000	Water Sales-Residential	\$0.00	
461-0002-000	Water Sales-Residential-Newport	\$1,153,328.90	
461-0003-000	Water Sales-Commercial	(\$13,620.00)	
461-0004-000	Water Sales-Commercial Newport	\$522,148.45	
461-0005-000	Water Sales-Industrial	\$0.00	
461-0006-000	Water Sales-Industrial-Newport	\$256,495.02	
461-0007-000	Water Sales-Public Authority	\$0.00	
461-0008-000	Water Sales-Public Authority Newport	\$178,326.56	
461-0009-000	Water Sales-Multi Family	\$4,643.94	
461-0010-000	Water Sales-Multi Family Newport	\$305,424.38	
461-0011-000	Water Sales-Bulk Loading	\$57,659.07	
461-0012-000	Water Sales-Bulk Loading Newport	\$0.00	
461-0013-000	Water Sales-Winston Park	\$0.00	
461-0100-000	Water Sales Residential	\$20,791,382.87	
461-0101-000	Water Sales-Commercial	\$5,414,289.92	
461-0102-000	Water Sales-Industrial	\$2,903,564.57	
461-0103-000	Water Sales-Public Authority	\$1,748,566.25	
461-0104-000	Water Sales-Multi Family	\$2,889,771.43	
461-0150-000	Water Sales Residential-Taylor Mill	\$1,771,607.74	
461-0151-000	Water Sales-Commercial-Taylor Mill	\$66,495.92	
461-0152-000	Water Sales-Industrial-Taylor Mill	\$0.00	
461-0153-000	Water Sales-Public Authority-Taylor Mill	\$21,290.41	
461-0154-000	Water Sales-Multi Family-Taylor Mill	\$129,260.85	
462-0001-000	Water Sales-Fire Lines	\$0.00	
462-0002-000	Water Sales-Fire Lines Newport	\$0.00	
462-0003-000	Water Sales-Muni Hydrants	\$0.00	
462-0015-000	Water Sales Fire Line	\$0.00	
462-0155-000	Water Sales Fire Line-Taylor Mill	\$0.00	
466-0001-000	Water Sales-Resale	\$1,200,418.32	
466-0002-000	Water Sales-Resale Newport	\$0.00	
470-0001-000	Income Penalties	\$765,148.89	
470-0002-000	Income Penalties Newport	\$0.00	
470-0003-000	Income Penalties Taylor Mill	\$0.00	
471-0001-000	Meter Tests	\$150.00	
471-0002-000	Income Turn On Fees	\$309,310.00	
471-0003-000	Income Turn On Fees-Newport	\$0.00	
471-0005-000	Income Turn On Fees-Taylor Mill	\$70.00	
472-0001-000	Rent Water Property	\$520,586.59	
472-0002-000	Rent Water Property Newport	\$2,015.00	
474-0001-000	Water Sales Misc Hydrants	\$19,618.93	
474-0002-000	Income Returned Check Charges	\$10,740.00	
		\$41,028,694.01	
	Int Income 419-0001-000	\$638,600.90	
	Service Apps. 497-0002-000	\$380,995.45	
	Boone/Florence	\$438,584.00	
	Income	\$42,486,874.36	

- Q3. Refer to NKWD's response to Commission Staff's Second Information Request, Item 5(a), and NKWD's Supplemental Filing of June 14, 2010, Item 6, Summary of Revenue Requirements Test Year 2009.
- Q3a. In its calculation of the requested revenue requirement, NKWD included pro forma operating expenses, net of depreciation and amortization expenses, of \$24,479,122. When pro forma operating expenses of \$24,479,122 are adjusted by the two percent annual escalation factor, an annual expense of \$24,968,704 results. This expense level is \$321,735 greater than the operating expense of \$24,646,969 the NKWD lists for Year One. Describe how NKWD calculated Year One operating expenses of \$24,646,969. Show all calculations and state all assumptions used to develop the operating expense level.
- A3a. The calculation was made using \$24,163,695 the audited operating expenses from 2009 and applying the 2% escalation factor.
 $\$24,163,695 \times 1.02 = \$24,646,968.90$
- Q3b. State how NKWD determined that the use of a two percent escalation factor was reasonable and appropriate. Identify all reports, studies, and analyses upon which NKWD upon which NKWD relied in reaching its determination. If any of the reports, studies, or analyses is not readily accessible through the Internet, provide a copy of such report, study, or analysis.
- A3b. NKWD reviewed the current Consumer Price Index for the South Urban area that Kentucky is a part of. Reviewed was the current annual increase which was calculated by taking the June 2010 index of 211.232 and comparing the June 2009 index of 209.343 indicating an increment of 1.889 and rounding to 2%. This is the best information that the District has at this time and based on economic climate presently, inflation does not appear to be on the increase in the future due to the recessionary pressures of our economy. This was also the conservative approach for the District based on current economic data. This information is available at the Bureau of Labor Statistics web site <http://www.bls.gov/data>.

Q4. Refer to NKWD's response to Commission Staff's Second Information Request, Item 6. NKWD states that the cost of the position of Vice President of Customer Accounts is included in its 2010 pro forma labor expense but that NKWD's President is still analyzing the future need for this position. Given the uncertainty of whether this position will be filled in the foreseeable future, explain why the salary and benefits cost associated with the position should be included in NKWD's pro forma operating expenses.

A4. This position was actually occupied through April 30, 2010 and the expenses including all benefits continued as scheduled. There was also a pay out of accrued vacation and sick time per District policy that also contributed to the expenses.

The District expects to fill this position by year end and the expenses will be incurred at approximately the same magnitude. The District always reviews each position as it is vacated to assure that the need still exists and how that fits into total operational efficiency.

There is a potential that a portion of these dollars will be used to shore up needs in other areas particularly in light of succession needs and the ability to contribute to overall operational efficiency of the District.

- Q5. Refer to NKWD's response to Commission Staff's Second Information Request, Item 7. In Case No. 2010-00038, the Commission authorized NKWD to enter into a loan agreement with Kentucky Infrastructure Authority ("KIA") to borrow \$8,000,000 to fund improvements at the Memorial Parkway Treatment Plant. NKWD has advised the Commission in writing that the KIA loan bears an interest rate of three percent per annum and will have a 20-year term.
- Q5a. State the date on which NKWD executed its loan agreement with KIA.
- A5a. June 17, 2010. The actual interest rate is 2.00% with a .25% administration fee resulting in a 2.25% rate.
- Q5b. Provide a copy of the amortization schedule for the KIA loan on a computer disc in Microsoft Office Excel format.
- A5b. CD Attached – File: "NKWD_PSCDR3_5b_Excel_091410".
- Q5c. Explain in detail why NKWD did not include the debt service for the KIA loan in its "Gross Debt Service Structure Report."
- A5c. It is included in the attached correct plan that was Exhibit A in the application. An incorrect version was inadvertently attached to Responses to Data Request Two.
- Q5d. Refer to NKWD's Response to Commission's Second Information Request, Items 5(b), 5(d), and 5(e). Describe how the debt service for the KIA loan will affect the calculations that NKWD provided in these responses.
- A5d. The KIA debt service is already included.

**Northern Kentucky Water District
Projected Revenue Bonds, Series 2010
(Draft Plan of Finance)**

Estimated Series 2010 Bond Schedules

Sources and Uses Report	1
Gross Debt Service Schedule (Semi-Annual)	2-4
Gross Debt Service Schedule (Annual)	5

Cumulative Debt Schedules

Debt Capsule Report	6
Gross Debt Service Structure Graph	7
Gross Debt Service Structure Report	8
Principal Reduction Report	9

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Sources & Uses

Dated 12/01/2010 | Delivered 12/01/2010

Sources Of Funds

Par Amount of Bonds	\$32,435,000.00
Transfers from Prior Issue BCF Funds	364,500.00
Total Sources	\$32,799,500.00

Uses Of Funds

Original Issue Discount (OID)	146,184.20
Total Underwriter's Discount (2.000%)	648,700.00
Costs of Issuance	111,400.00
Deposit to Debt Service Reserve Fund (DSRF)	2,610,677.50
Deposit to Current Refunding Fund	29,281,500.00
Rounding Amount	1,038.30
Total Uses	\$32,799,500.00

2010 Taxable BAB-EST | 4/28/2010 | 9:57 AM

Ross, Sinclair & Associates, LLC
Public Finance - KBrock

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Debt Service Schedule

Part 1 of 3

Date	Principal	Coupon	Interest	Federal Pmt.	Total P+I
02/01/2011	-	-	275,946.25	(96,581.18)	179,365.07
08/01/2011	-	-	827,838.75	(289,743.56)	538,095.19
02/01/2012	955,000.00	1.700%	827,838.75	(289,743.56)	1,493,095.19
08/01/2012	-	-	819,721.25	(286,902.43)	532,818.82
02/01/2013	965,000.00	2.300%	819,721.25	(286,902.43)	1,497,818.82
08/01/2013	-	-	808,623.75	(283,018.31)	525,605.44
02/01/2014	985,000.00	2.800%	808,623.75	(283,018.31)	1,510,605.44
08/01/2014	-	-	794,833.75	(278,191.81)	516,641.94
02/01/2015	1,000,000.00	3.250%	794,833.75	(278,191.81)	1,516,641.94
08/01/2015	-	-	778,583.75	(272,504.31)	506,079.44
02/01/2016	1,025,000.00	3.600%	778,583.75	(272,504.31)	1,531,079.44
08/01/2016	-	-	760,133.75	(266,046.81)	494,086.94
02/01/2017	1,050,000.00	4.100%	760,133.75	(266,046.81)	1,544,086.94
08/01/2017	-	-	738,608.75	(258,513.06)	480,095.69
02/01/2018	1,080,000.00	4.300%	738,608.75	(258,513.06)	1,560,095.69
08/01/2018	-	-	715,388.75	(250,386.06)	465,002.69
02/01/2019	1,110,000.00	4.700%	715,388.75	(250,386.06)	1,575,002.69
08/01/2019	-	-	689,303.75	(241,256.31)	448,047.44
02/01/2020	1,150,000.00	5.000%	689,303.75	(241,256.31)	1,598,047.44
08/01/2020	-	-	660,553.75	(231,193.81)	429,359.94
02/01/2021	1,185,000.00	5.000%	660,553.75	(231,193.81)	1,614,359.94
08/01/2021	-	-	630,928.75	(220,825.06)	410,103.69
02/01/2022	1,225,000.00	5.100%	630,928.75	(220,825.06)	1,635,103.69
08/01/2022	-	-	599,691.25	(209,891.93)	389,799.32
02/01/2023	1,265,000.00	5.200%	599,691.25	(209,891.93)	1,654,799.32
08/01/2023	-	-	566,801.25	(198,380.43)	368,420.82
02/01/2024	1,310,000.00	5.375%	566,801.25	(198,380.43)	1,678,420.82
08/01/2024	-	-	531,595.00	(186,058.25)	345,536.75

2010 Taxable BAB-EST | 4/28/2010 | 9:57 AM

Ross, Sinclaire & Associates, LLC

Public Finance - KBrock

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Debt Service Schedule

Part 2 of 3

Date	Principal	Coupon	Interest	Federal Pmt.	Total P+I
02/01/2025	1,360,000.00	5.400%	531,595.00	(186,058.25)	1,705,536.75
08/01/2025	-	-	494,875.00	(173,206.25)	321,668.75
02/01/2026	1,405,000.00	5.500%	494,875.00	(173,206.25)	1,726,668.75
08/01/2026	-	-	456,237.50	(159,683.12)	296,554.38
02/01/2027	1,460,000.00	5.600%	456,237.50	(159,683.12)	1,756,554.38
08/01/2027	-	-	415,357.50	(145,375.12)	269,982.38
02/01/2028	1,515,000.00	5.700%	415,357.50	(145,375.12)	1,784,982.38
08/01/2028	-	-	372,180.00	(130,263.00)	241,917.00
02/01/2029	1,570,000.00	5.800%	372,180.00	(130,263.00)	1,811,917.00
08/01/2029	-	-	326,650.00	(114,327.50)	212,322.50
02/01/2030	1,630,000.00	5.900%	326,650.00	(114,327.50)	1,842,322.50
08/01/2030	-	-	278,565.00	(97,497.75)	181,067.25
02/01/2031	1,695,000.00	6.000%	278,565.00	(97,497.75)	1,876,067.25
08/01/2031	-	-	227,715.00	(79,700.25)	148,014.75
02/01/2032	1,765,000.00	6.000%	227,715.00	(79,700.25)	1,913,014.75
08/01/2032	-	-	174,765.00	(61,167.75)	113,597.25
02/01/2033	1,835,000.00	6.100%	174,765.00	(61,167.75)	1,948,597.25
08/01/2033	-	-	118,797.50	(41,579.12)	77,218.38
02/01/2034	1,910,000.00	6.100%	118,797.50	(41,579.12)	1,987,218.38
08/01/2034	-	-	60,542.50	(21,189.87)	39,352.63
02/01/2035	1,985,000.00	6.100%	60,542.50	(21,189.87)	2,024,352.63
Total	\$32,435,000.00	-	\$25,972,528.75	(9,090,384.92)	\$49,317,143.83

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Debt Service Schedule

Part 3 of 3

Yield Statistics

Bond Year Dollars	\$462,360.83
Average Life	14.255 Years
Average Coupon	3.6512919%
Net Interest Cost (NIC)	3.8232105%
True Interest Cost (TIC)	3.8479395%
Bond Yield for Arbitrage Purposes	3.7290494%
All Inclusive Cost (AIC)	3.8814608%

IRS Form 8038

Net Interest Cost	3.7039358%
Weighted Average Maturity	14.238 Years

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Federal Pmt.	Total P+I
12/31/2010	-	-	-	-	-
12/31/2011	-	-	1,103,785.00	(386,324.74)	717,460.26
12/31/2012	955,000.00	1.700%	1,647,560.00	(576,645.99)	2,025,914.01
12/31/2013	965,000.00	2.300%	1,628,345.00	(569,920.74)	2,023,424.26
12/31/2014	985,000.00	2.800%	1,603,457.50	(561,210.12)	2,027,247.38
12/31/2015	1,000,000.00	3.250%	1,573,417.50	(550,696.12)	2,022,721.38
12/31/2016	1,025,000.00	3.600%	1,538,717.50	(538,551.12)	2,025,166.38
12/31/2017	1,050,000.00	4.100%	1,498,742.50	(524,559.87)	2,024,182.63
12/31/2018	1,080,000.00	4.300%	1,453,997.50	(508,899.12)	2,025,098.38
12/31/2019	1,110,000.00	4.700%	1,404,692.50	(491,642.37)	2,023,050.13
12/31/2020	1,150,000.00	5.000%	1,349,857.50	(472,450.12)	2,027,407.38
12/31/2021	1,185,000.00	5.000%	1,291,482.50	(452,018.87)	2,024,463.63
12/31/2022	1,225,000.00	5.100%	1,230,620.00	(430,716.99)	2,024,903.01
12/31/2023	1,265,000.00	5.200%	1,166,492.50	(408,272.36)	2,023,220.14
12/31/2024	1,310,000.00	5.375%	1,098,396.25	(384,438.68)	2,023,957.57
12/31/2025	1,360,000.00	5.400%	1,026,470.00	(359,264.50)	2,027,205.50
12/31/2026	1,405,000.00	5.500%	951,112.50	(332,889.37)	2,023,223.13
12/31/2027	1,460,000.00	5.600%	871,595.00	(305,058.24)	2,026,536.76
12/31/2028	1,515,000.00	5.700%	787,537.50	(275,638.12)	2,026,899.38
12/31/2029	1,570,000.00	5.800%	698,830.00	(244,590.50)	2,024,239.50
12/31/2030	1,630,000.00	5.900%	605,215.00	(211,825.25)	2,023,389.75
12/31/2031	1,695,000.00	6.000%	506,280.00	(177,198.00)	2,024,082.00
12/31/2032	1,765,000.00	6.000%	402,480.00	(140,868.00)	2,026,612.00
12/31/2033	1,835,000.00	6.100%	293,562.50	(102,746.87)	2,025,815.63
12/31/2034	1,910,000.00	6.100%	179,340.00	(62,768.99)	2,026,571.01
12/31/2035	1,985,000.00	6.100%	60,542.50	(21,189.87)	2,024,352.63
Total	\$32,435,000.00	-	\$25,972,528.75	(9,090,384.92)	\$49,317,143.83

Debt Capsule Summary Report

Bond Series	Original Par Amount	Amount Outstanding	Interest Rate Range	Final Maturity	Call Information
1997-REF	\$11,225,000	\$1,855,000	4.750 - 4.750%	02/01/22	Feb 2007 @ 102%
1998	\$11,355,000	\$8,430,000	4.750 - 4.875%	02/01/28	Feb 2008 @ 102%
2000 USDA	\$2,287,000	\$2,054,000	5.000%	05/01/39	N/A
2001	\$16,325,000	\$14,520,000	4.200 - 5.000%	02/01/26	Feb 2012 @ 100%
2002A-REF	\$45,485,000	\$42,440,000	4.500 - 5.000%	02/01/27	Feb 2012 @ 100%
2002B-REF	\$10,575,000	\$5,840,000	3.500 - 4.250%	02/01/17	Feb 2013 @ 100%
2003A-REF	\$1,615,000	\$1,360,000	3.000 - 4.600%	02/01/32	Feb 2013 @ 100%
2003B	\$30,270,000	\$24,110,000	2.250 - 4.125%	02/01/28	Aug 2013 @ 100%
2003C-REF	\$23,790,000	\$14,995,000	2.750 - 4.250%	02/01/20	Feb 2014 @ 100%
2003-KIA	N/A	\$3,125,000	3.000%	06/01/28	N/A
2004	\$10,455,000	\$8,735,000	2.625 - 4.500%	02/01/29	Aug 2014 @ 100%
2006	\$29,000,000	\$26,455,000	4.000 - 4.375%	02/01/31	Aug 2016 @ 100%
2007-KIA	\$4,000,000	\$3,785,980	3.000%	06/01/28	N/A
2009	\$29,290,000	\$27,645,000	3.750 - 6.150%	02/01/33	Feb 2019 @ 100%
<i>*Proposed Debt</i>					
2010-KIA A	\$4,000,000	\$4,000,000	1.000%	06/01/30	N/A
2010-KIA B	\$8,000,000	\$8,000,000	2.250%	06/01/30	N/A
2010-AMR	\$6,000,000	\$6,000,000	3.000%	06/01/20	N/A
2010-BAB	\$32,435,000	\$32,435,000	1.700 - 6.100%	02/01/35	Aug 2020 @ 100%
Totals:	\$276,107,000	\$235,784,980	---	---	---

Gross Debt Service Structure Report

FY Ending Dec 31st	Series 1997-REF Bonds	Series 1998 Bonds	Series 2000 USDA Loan	Series 2001 Bonds	Series 2002A-REF Bonds	Series 2002H-REF Bonds	Series 2003A-REF Bonds	Series 2003H Bonds	Series 2003C-REF Bonds	Series 2003-KIA Loan	Series 2004 Bonds	Series 2006 Bonds	Series 2007-KIA Loan	Series 2009 Bonds	-----Estimated-----				Less 2010-BAB Payment	Debt Service	
															Series 2010-KIA A Loan	Series 2010-KIA B Loan	Series 2010-AMR Loan	Series 2010-BAB Bonds			
2010	\$1,086,269	\$711,830	\$134,475	\$773,878	\$2,554,353	\$1,025,675	\$100,685	\$1,884,488	\$1,905,031	\$255,999	\$676,869	\$1,888,588	\$268,156	\$2,176,944	\$0	\$0	\$0	\$0	\$0	\$15,423,237	
2011	\$1,088,769	\$712,461	\$134,875	\$775,545	\$2,552,978	\$1,025,044	\$99,215	\$1,882,088	\$1,908,519	\$235,665	\$677,569	\$1,886,988	\$268,156	\$2,177,288	\$226,289	\$509,084	\$730,542	\$1,103,785	(\$386,325)	\$17,608,632	
2012	\$98,000	\$712,380	\$134,200	\$772,105	\$3,552,640	\$1,022,244	\$97,865	\$1,882,066	\$1,907,169	\$235,322	\$677,563	\$1,884,188	\$268,156	\$2,176,694	\$226,289	\$509,084	\$730,542	\$2,602,560	(\$376,646)	\$18,912,417	
2013	\$95,150	\$711,501	\$134,450	\$1,409,583	\$2,916,840	\$1,023,144	\$101,259	\$1,885,425	\$1,907,469	\$234,967	\$676,628	\$1,885,088	\$268,156	\$2,175,163	\$226,289	\$509,084	\$730,542	\$2,593,345	(\$369,021)	\$18,914,160	
2014	\$97,181	\$714,611	\$134,600	\$1,411,840	\$2,913,190	\$1,017,744	\$99,304	\$1,882,769	\$1,912,081	\$234,603	\$674,938	\$1,879,688	\$268,156	\$2,176,663	\$226,289	\$509,084	\$730,542	\$2,588,458	(\$501,210)	\$18,910,728	
2015	\$98,973	\$711,741	\$134,650	\$1,416,675	\$2,911,881	\$1,011,144	\$97,704	\$1,883,413	\$1,910,681	\$234,227	\$676,700	\$1,882,888	\$268,156	\$2,175,575	\$226,289	\$509,084	\$730,542	\$2,573,418	(\$550,690)	\$18,903,014	
2016	\$95,650	\$712,972	\$134,600	\$1,414,438	\$2,926,663	\$1,007,641	\$100,755	\$1,885,756	\$1,906,881	\$233,840	\$677,000	\$1,884,488	\$268,156	\$2,177,169	\$226,289	\$509,084	\$730,542	\$2,563,718	(\$338,551)	\$18,917,088	
2017	\$97,206	\$713,228	\$134,450	\$1,419,288	\$3,386,944	\$546,369	\$98,655	\$1,882,394	\$1,905,581	\$233,441	\$676,700	\$1,884,488	\$268,156	\$2,174,663	\$226,289	\$509,084	\$730,542	\$2,548,743	(\$224,560)	\$18,911,658	
2018	\$98,525	\$712,509	\$134,200	\$1,416,063	\$4,183,500		\$101,355	\$1,884,394	\$1,744,881	\$233,030	\$675,800	\$1,794,688	\$268,156	\$2,177,100	\$226,289	\$509,084	\$730,542	\$2,533,998	(\$98,809)	\$18,915,213	
2019	\$94,725	\$710,816	\$134,825	\$1,420,700	\$4,180,950		\$98,880	\$1,884,394	\$1,748,641	\$232,607	\$679,200	\$1,795,088	\$268,156	\$2,176,225	\$226,289	\$509,084	\$730,542	\$2,514,693	(\$93,842)	\$18,914,170	
2020	\$95,806	\$713,025	\$134,325	\$1,422,963	\$4,481,250		\$101,293	\$1,881,566	\$1,184,650	\$232,171	\$675,800	\$2,057,663	\$268,156	\$2,177,356	\$226,289	\$509,084	\$365,271	\$2,499,858	(\$472,430)	\$18,554,073	
2021	\$96,650	\$714,016	\$134,700	\$1,421,500	\$4,483,250		\$98,593	\$1,880,775		\$231,722	\$675,550	\$1,890,584	\$268,156	\$2,174,888	\$226,289	\$509,084		\$2,476,483	(\$452,019)	\$16,830,019	
2022	\$97,256	\$713,788	\$133,950	\$1,421,125	\$4,482,125		\$100,780	\$1,882,613		\$231,259	\$679,288	\$1,889,847	\$268,156	\$2,177,825	\$226,289	\$509,084		\$2,455,620	(\$430,717)	\$16,838,286	
2023		\$712,341	\$134,075	\$1,418,000	\$4,482,500		\$97,839	\$1,881,975		\$230,782	\$677,013	\$1,999,675	\$268,156	\$2,176,363	\$226,289	\$509,084		\$2,431,493	(\$408,272)	\$16,837,310	
2024		\$714,553	\$134,050	\$1,421,875	\$4,483,875		\$99,768	\$1,883,759		\$230,291	\$678,725	\$1,897,028	\$268,156	\$2,174,550	\$226,289	\$509,084		\$2,408,396	(\$384,439)	\$16,745,560	
2025		\$710,425	\$133,875	\$1,422,500	\$4,485,750		\$101,469	\$1,882,863		\$229,785	\$679,313	\$1,903,969	\$268,156	\$2,177,263	\$226,289	\$509,084		\$2,386,470	(\$359,265)	\$16,757,943	
2026		\$714,834	\$133,550	\$1,424,750	\$4,482,750		\$98,056	\$1,884,181		\$229,263	\$678,775	\$1,907,288	\$268,156	\$2,175,356	\$226,289	\$509,084		\$2,356,113	(\$332,899)	\$16,755,555	
2027		\$712,659	\$134,050		\$4,484,375		\$99,530	\$1,882,613		\$228,726	\$677,113	\$1,906,944	\$268,156	\$2,177,025	\$226,289	\$509,084		\$2,331,595	(\$305,058)	\$15,233,099	
2028		\$445,603	\$133,375				\$100,755	\$1,882,053		\$114,156	\$679,213	\$1,908,731	\$134,078	\$2,176,725	\$226,289	\$509,084		\$2,302,538	(\$275,638)	\$10,337,961	
2029			\$133,525				\$96,845				\$679,963	\$1,917,331		\$2,175,875	\$226,289	\$509,084		\$2,268,830	(\$244,911)	\$7,763,150	
2030			\$133,475				\$97,820					\$1,916,516		\$2,174,175		\$113,144	\$254,542		\$2,235,215	(\$211,825)	\$6,713,062
2031			\$133,225				\$98,565					\$1,921,125		\$2,176,175					\$2,201,280	(\$177,198)	\$6,353,172
2032			\$133,750				\$30,690							\$2,176,338					\$2,167,480	(\$140,800)	\$4,367,390
2033			\$133,050											\$2,178,575					\$2,128,563	(\$102,747)	\$4,337,441
2034			\$134,100																\$2,089,340	(\$62,769)	\$2,160,671
2035			\$133,875																\$2,045,543	(\$21,100)	\$2,158,228
2036			\$133,400																		\$133,400
2037			\$133,650																		\$133,650
2038			\$133,600																		\$133,600
2039			\$133,250																		\$133,250
2040																					\$0
Totals:	\$3,240,163	\$13,275,293	\$4,020,175	\$22,182,825	\$67,945,783	\$7,679,003	\$2,217,978	\$35,780,581	\$19,941,584	\$4,301,854	\$13,549,716	\$41,782,875	\$4,960,889	\$52,231,769	\$4,412,627	\$9,927,131	\$6,940,146	\$58,407,529	(\$9,090,383)	\$363,707,533	

Principal Reduction Report

FY Ending Dec 31st	<i>-----Estimated-----</i>																		Debt Retirement (10 Years)	
	Series 1997-REF Bonds	Series 1998 Bonds	Series 2000 USDA Loan	Series 2001 Bonds	Series 2002A-REF Bonds	Series 2002B-REF Bonds	Series 2003A-REF Bonds	Series 2003B Bonds	Series 2003C-REF Bonds	Series 2003-KIA Loan	Series 2004 Bonds	Series 2006 Bonds	Series 2007-KIA Loan	Series 2009 Bonds	Series 2010-KIA A Loan	Series 2010-KIA B Loan	Series 2010-AMR Loan	Series 2010-BAB Bonds		Outstanding Principal
2010	\$975,000	\$295,000	\$31,000	\$75,000	\$465,000	\$775,000	\$40,000	\$940,000	\$1,305,000	\$132,433	\$305,000	\$775,000	\$155,736	\$645,000	\$0	\$0	\$0	\$0	\$235,591,297	45.63%
2011	\$1,025,000	\$310,000	\$33,000	\$80,000	\$485,000	\$805,000	\$40,000	\$965,000	\$1,350,000	\$136,436	\$315,000	\$805,000	\$160,443	\$670,000	\$186,754	\$330,935	\$554,671	\$0	\$227,339,058	48.63%
2012	\$60,000	\$325,000	\$34,000	\$80,000	\$1,530,000	\$835,000	\$40,000	\$995,000	\$1,395,000	\$140,560	\$325,000	\$835,000	\$165,293	\$695,000	\$188,627	\$338,423	\$571,436	\$955,000	\$217,830,721	51.82%
2013	\$60,000	\$340,000	\$36,000	\$735,000	\$950,000	\$870,000	\$45,000	\$1,030,000	\$1,445,000	\$144,808	\$335,000	\$870,000	\$170,289	\$720,000	\$190,517	\$346,080	\$588,707	\$965,000	\$207,989,319	55.49%
2014	\$65,000	\$360,000	\$38,000	\$770,000	\$990,000	\$900,000	\$45,000	\$1,060,000	\$1,505,000	\$149,185	\$345,000	\$900,000	\$175,436	\$750,000	\$192,427	\$353,911	\$606,501	\$985,000	\$197,798,859	59.69%
2015	\$70,000	\$375,000	\$40,000	\$810,000	\$1,035,000	\$930,000	\$45,000	\$1,095,000	\$1,565,000	\$153,694	\$360,000	\$940,000	\$180,738	\$780,000	\$194,357	\$361,918	\$624,832	\$1,000,000	\$187,238,319	64.59%
2016	\$70,000	\$395,000	\$42,000	\$845,000	\$1,100,000	\$965,000	\$50,000	\$1,135,000	\$1,625,000	\$158,340	\$375,000	\$980,000	\$186,201	\$815,000	\$196,305	\$370,107	\$643,718	\$1,025,000	\$176,261,648	70.35%
2017	\$75,000	\$415,000	\$44,000	\$890,000	\$1,625,000	\$535,000	\$50,000	\$1,175,000	\$1,690,000	\$163,126	\$390,000	\$1,020,000	\$191,829	\$850,000	\$198,273	\$378,482	\$663,174	\$1,050,000	\$164,857,765	76.33%
2018	\$80,000	\$435,000	\$46,000	\$930,000	\$2,520,000	\$55,000	\$55,000	\$1,225,000	\$1,595,000	\$168,056	\$405,000	\$970,000	\$197,627	\$895,000	\$200,261	\$387,045	\$683,219	\$1,080,000	\$152,985,557	80.20%
2019	\$80,000	\$455,000	\$49,000	\$980,000	\$2,640,000	\$55,000	\$55,000	\$1,275,000	\$1,665,000	\$173,136	\$425,000	\$1,010,000	\$203,600	\$940,000	\$202,268	\$395,803	\$703,869	\$1,110,000	\$140,622,881	83.07%
2020	\$85,000	\$480,000	\$51,000	\$1,030,000	\$3,080,000	\$60,000	\$60,000	\$1,325,000	\$1,160,000	\$178,369	\$440,000	\$1,320,000	\$209,754	\$990,000	\$204,296	\$404,758	\$359,873	\$1,150,000	\$128,094,832	85.87%
2021	\$90,000	\$505,000	\$54,000	\$1,080,000	\$3,240,000	\$60,000	\$60,000	\$1,380,000	\$1,83,760	\$460,000	\$1,205,000	\$216,094	\$1,040,000	\$206,344	\$413,917	\$1,185,000	\$116,775,717	\$116,775,717	\$116,775,717	89.30%
2022	\$95,000	\$530,000	\$56,000	\$1,135,000	\$3,405,000	\$65,000	\$65,000	\$1,440,000	\$1,89,314	\$485,000	\$1,255,000	\$222,625	\$1,100,000	\$208,413	\$423,282	\$1,225,000	\$104,941,083	\$104,941,083	\$104,941,083	91.78%
2023	\$555,000	\$59,000	\$1,190,000	\$3,580,000	\$65,000	\$1,500,000	\$195,036	\$505,000	\$1,420,000	\$229,354	\$1,160,000	\$210,502	\$432,860	\$1,265,000	\$92,574,332	\$92,574,332	\$92,574,332	\$92,574,332	\$92,574,332	95.04%
2024	\$585,000	\$62,000	\$1,255,000	\$3,765,000	\$70,000	\$1,565,000	\$200,931	\$530,000	\$1,375,000	\$236,286	\$1,225,000	\$212,612	\$442,654	\$1,310,000	\$79,739,848	\$79,739,848	\$79,739,848	\$79,739,848	\$79,739,848	96.77%
2025	\$610,000	\$65,000	\$1,320,000	\$3,960,000	\$75,000	\$1,630,000	\$207,004	\$555,000	\$1,440,000	\$243,428	\$1,300,000	\$214,744	\$452,670	\$1,360,000	\$66,307,003	\$66,307,003	\$66,307,003	\$66,307,003	\$66,307,003	99.27%
2026	\$645,000	\$68,000	\$1,390,000	\$4,160,000	\$75,000	\$1,700,000	\$213,261	\$580,000	\$1,505,000	\$250,786	\$1,375,000	\$216,896	\$462,912	\$1,405,000	\$52,260,148	\$52,260,148	\$52,260,148	\$52,260,148	\$52,260,148	99.29%
2027	\$675,000	\$72,000	\$4,375,000	\$80,000	\$1,770,000	\$219,707	\$605,000	\$1,570,000	\$258,366	\$1,460,000	\$219,071	\$473,386	\$1,460,000	\$39,022,619	\$39,022,619	\$39,022,619	\$39,022,619	\$39,022,619	\$39,022,619	99.35%
2028	\$435,000	\$75,000	\$85,000	\$1,845,000	\$112,331	\$635,000	\$1,640,000	\$132,097	\$1,550,000	\$221,267	\$484,097	\$1,515,000	\$30,292,827	\$99.57%						
2029		\$79,000	\$85,000	\$1,720,000	\$1,645,000	\$223,485	\$495,051	\$1,570,000	\$23,810,291	100.00%										
2030		\$83,000	\$90,000	\$1,795,000	\$1,745,000	\$112,581	\$251,710	\$1,630,000	\$18,103,000											
2031		\$87,000	\$95,000	\$1,880,000	\$1,855,000			\$1,695,000	\$12,491,000											
2032		\$92,000	\$30,000	\$1,975,000	\$1,765,000	\$8,629,000		\$1,765,000	\$8,629,000											
2033		\$96,000		\$2,110,000	\$1,835,000	\$4,588,000		\$1,835,000	\$4,588,000											
2034		\$102,000			\$1,910,000	\$2,576,000		\$1,910,000	\$2,576,000											
2035		\$107,000			\$1,985,000	\$484,000		\$1,985,000	\$484,000											
2036		\$112,000				\$372,000			\$372,000											
2037		\$118,000				\$254,000			\$254,000											
2038		\$124,000				\$130,000			\$130,000											
2039		\$130,000				\$0			\$0											
2040						\$0			\$0											
Totals:	\$2,830,000	\$8,725,000	\$2,085,000	\$14,595,000	\$42,905,000	\$6,615,000	\$1,400,000	\$25,050,000	\$16,300,000	\$3,219,487	\$9,040,000	\$27,230,000	\$3,785,980	\$28,290,000	\$4,000,000	\$8,000,000	\$6,000,000	\$32,435,000	---	---

- Q5. Refer to NKWD's response to Commission Staff's Second Information Request, Item 7. In Case No. 2010-00038, the Commission authorized NKWD to enter into a loan agreement with Kentucky Infrastructure Authority ("KIA") to borrow \$8,000,000 to fund improvements at the Memorial Parkway Treatment Plant. NKWD has advised the Commission in writing that the KIA loan bears an interest rate of three percent per annum and will have a 20-year term.
- Q5a. State the date on which NKWD executed its loan agreement with KIA.
- A5a. June 17, 2010. The actual interest rate is 2.00% with a .25% administration fee resulting in a 2.25% rate.
- Q5b. Provide a copy of the amortization schedule for the KIA loan on a computer disc in Microsoft Office Excel format.
- A5b. CD Attached – File: "NKWD_PSCDR3_5b_Excel_091410".
- Q5c. Explain in detail why NKWD did not include the debt service for the KIA loan in its "Gross Debt Service Structure Report."
- A5c. It is included in the attached correct plan that was Exhibit A in the application. An incorrect version was inadvertently attached to Responses to Data Request Two.
- Q5d. Refer to NKWD's Response to Commission's Second Information Request, Items 5(b), 5(d), and 5(e). Describe how the debt service for the KIA loan will affect the calculations that NKWD provided in these responses.
- A5d. The KIA debt service is already included.

**Northern Kentucky Water District
Projected Revenue Bonds, Series 2010
(Draft Plan of Finance)**

Estimated Series 2010 Bond Schedules

Sources and Uses Report	1
Gross Debt Service Schedule (Semi-Annual)	2-4
Gross Debt Service Schedule (Annual)	5

Cumulative Debt Schedules

Debt Capsule Report	6
Gross Debt Service Structure Graph	7
Gross Debt Service Structure Report	8
Principal Reduction Report	9

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Sources & Uses

Dated 12/01/2010 | Delivered 12/01/2010

Sources Of Funds

Par Amount of Bonds	\$32,435,000.00
Transfers from Prior Issue BCF Funds	364,500.00
Total Sources	\$32,799,500.00

Uses Of Funds

Original Issue Discount (OID)	146,184.20
Total Underwriter's Discount (2.000%)	648,700.00
Costs of Issuance	111,400.00
Deposit to Debt Service Reserve Fund (DSRF)	2,610,677.50
Deposit to Current Refunding Fund	29,281,500.00
Rounding Amount	1,038.30
Total Uses	\$32,799,500.00

2010 Taxable BAB-EST | 4/28/2010 | 9:57 AM

Ross, Sinclair & Associates, LLC
Public Finance - KBrock

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Debt Service Schedule

Part 1 of 3

Date	Principal	Coupon	Interest	Federal Pmt.	Total P+I
02/01/2011	-	-	275,946.25	(96,581.18)	179,365.07
08/01/2011	-	-	827,838.75	(289,743.56)	538,095.19
02/01/2012	955,000.00	1.700%	827,838.75	(289,743.56)	1,493,095.19
08/01/2012	-	-	819,721.25	(286,902.43)	532,818.82
02/01/2013	965,000.00	2.300%	819,721.25	(286,902.43)	1,497,818.82
08/01/2013	-	-	808,623.75	(283,018.31)	525,605.44
02/01/2014	985,000.00	2.800%	808,623.75	(283,018.31)	1,510,605.44
08/01/2014	-	-	794,833.75	(278,191.81)	516,641.94
02/01/2015	1,000,000.00	3.250%	794,833.75	(278,191.81)	1,516,641.94
08/01/2015	-	-	778,583.75	(272,504.31)	506,079.44
02/01/2016	1,025,000.00	3.600%	778,583.75	(272,504.31)	1,531,079.44
08/01/2016	-	-	760,133.75	(266,046.81)	494,086.94
02/01/2017	1,050,000.00	4.100%	760,133.75	(266,046.81)	1,544,086.94
08/01/2017	-	-	738,608.75	(258,513.06)	480,095.69
02/01/2018	1,080,000.00	4.300%	738,608.75	(258,513.06)	1,560,095.69
08/01/2018	-	-	715,388.75	(250,386.06)	465,002.69
02/01/2019	1,110,000.00	4.700%	715,388.75	(250,386.06)	1,575,002.69
08/01/2019	-	-	689,303.75	(241,256.31)	448,047.44
02/01/2020	1,150,000.00	5.000%	689,303.75	(241,256.31)	1,598,047.44
08/01/2020	-	-	660,553.75	(231,193.81)	429,359.94
02/01/2021	1,185,000.00	5.000%	660,553.75	(231,193.81)	1,614,359.94
08/01/2021	-	-	630,928.75	(220,825.06)	410,103.69
02/01/2022	1,225,000.00	5.100%	630,928.75	(220,825.06)	1,635,103.69
08/01/2022	-	-	599,691.25	(209,891.93)	389,799.32
02/01/2023	1,265,000.00	5.200%	599,691.25	(209,891.93)	1,654,799.32
08/01/2023	-	-	566,801.25	(198,380.43)	368,420.82
02/01/2024	1,310,000.00	5.375%	566,801.25	(198,380.43)	1,678,420.82
08/01/2024	-	-	531,595.00	(186,058.25)	345,536.75

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Debt Service Schedule

Part 2 of 3

Date	Principal	Coupon	Interest	Federal Pmt.	Total P+I
02/01/2025	1,360,000.00	5.400%	531,595.00	(186,058.25)	1,705,536.75
08/01/2025	-	-	494,875.00	(173,206.25)	321,668.75
02/01/2026	1,405,000.00	5.500%	494,875.00	(173,206.25)	1,726,668.75
08/01/2026	-	-	456,237.50	(159,683.12)	296,554.38
02/01/2027	1,460,000.00	5.600%	456,237.50	(159,683.12)	1,756,554.38
08/01/2027	-	-	415,357.50	(145,375.12)	269,982.38
02/01/2028	1,515,000.00	5.700%	415,357.50	(145,375.12)	1,784,982.38
08/01/2028	-	-	372,180.00	(130,263.00)	241,917.00
02/01/2029	1,570,000.00	5.800%	372,180.00	(130,263.00)	1,811,917.00
08/01/2029	-	-	326,650.00	(114,327.50)	212,322.50
02/01/2030	1,630,000.00	5.900%	326,650.00	(114,327.50)	1,842,322.50
08/01/2030	-	-	278,565.00	(97,497.75)	181,067.25
02/01/2031	1,695,000.00	6.000%	278,565.00	(97,497.75)	1,876,067.25
08/01/2031	-	-	227,715.00	(79,700.25)	148,014.75
02/01/2032	1,765,000.00	6.000%	227,715.00	(79,700.25)	1,913,014.75
08/01/2032	-	-	174,765.00	(61,167.75)	113,597.25
02/01/2033	1,835,000.00	6.100%	174,765.00	(61,167.75)	1,948,597.25
08/01/2033	-	-	118,797.50	(41,579.12)	77,218.38
02/01/2034	1,910,000.00	6.100%	118,797.50	(41,579.12)	1,987,218.38
08/01/2034	-	-	60,542.50	(21,189.87)	39,352.63
02/01/2035	1,985,000.00	6.100%	60,542.50	(21,189.87)	2,024,352.63
Total	\$32,435,000.00	-	\$25,972,528.75	(9,090,384.92)	\$49,317,143.83

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Debt Service Schedule

Part 3 of 3

Yield Statistics

Bond Year Dollars	\$462,360.83
Average Life	14.255 Years
Average Coupon	3.6512919%
Net Interest Cost (NIC)	3.8232105%
True Interest Cost (TIC)	3.8479395%
Bond Yield for Arbitrage Purposes	3.7290494%
All Inclusive Cost (AIC)	3.8814608%

IRS Form 8038

Net Interest Cost	3.7039358%
Weighted Average Maturity	14.238 Years

Northern Kentucky Water Service District

Taxable Revenue Build America Bonds, Series 2010-EST

(Projected Following Rate Case)

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Federal Pmt.	Total P+I
12/31/2010	-	-	-	-	-
12/31/2011	-	-	1,103,785.00	(386,324.74)	717,460.26
12/31/2012	955,000.00	1.700%	1,647,560.00	(576,645.99)	2,025,914.01
12/31/2013	965,000.00	2.300%	1,628,345.00	(569,920.74)	2,023,424.26
12/31/2014	985,000.00	2.800%	1,603,457.50	(561,210.12)	2,027,247.38
12/31/2015	1,000,000.00	3.250%	1,573,417.50	(550,696.12)	2,022,721.38
12/31/2016	1,025,000.00	3.600%	1,538,717.50	(538,551.12)	2,025,166.38
12/31/2017	1,050,000.00	4.100%	1,498,742.50	(524,559.87)	2,024,182.63
12/31/2018	1,080,000.00	4.300%	1,453,997.50	(508,899.12)	2,025,098.38
12/31/2019	1,110,000.00	4.700%	1,404,692.50	(491,642.37)	2,023,050.13
12/31/2020	1,150,000.00	5.000%	1,349,857.50	(472,450.12)	2,027,407.38
12/31/2021	1,185,000.00	5.000%	1,291,482.50	(452,018.87)	2,024,463.63
12/31/2022	1,225,000.00	5.100%	1,230,620.00	(430,716.99)	2,024,903.01
12/31/2023	1,265,000.00	5.200%	1,166,492.50	(408,272.36)	2,023,220.14
12/31/2024	1,310,000.00	5.375%	1,098,396.25	(384,438.68)	2,023,957.57
12/31/2025	1,360,000.00	5.400%	1,026,470.00	(359,264.50)	2,027,205.50
12/31/2026	1,405,000.00	5.500%	951,112.50	(332,889.37)	2,023,223.13
12/31/2027	1,460,000.00	5.600%	871,595.00	(305,058.24)	2,026,536.76
12/31/2028	1,515,000.00	5.700%	787,537.50	(275,638.12)	2,026,899.38
12/31/2029	1,570,000.00	5.800%	698,830.00	(244,590.50)	2,024,239.50
12/31/2030	1,630,000.00	5.900%	605,215.00	(211,825.25)	2,023,389.75
12/31/2031	1,695,000.00	6.000%	506,280.00	(177,198.00)	2,024,082.00
12/31/2032	1,765,000.00	6.000%	402,480.00	(140,868.00)	2,026,612.00
12/31/2033	1,835,000.00	6.100%	293,562.50	(102,746.87)	2,025,815.63
12/31/2034	1,910,000.00	6.100%	179,340.00	(62,768.99)	2,026,571.01
12/31/2035	1,985,000.00	6.100%	60,542.50	(21,189.87)	2,024,352.63
Total	\$32,435,000.00	-	\$25,972,528.75	(9,090,384.92)	\$49,317,143.83

Debt Capsule Summary Report

Bond Series	Original Par Amount	Amount Outstanding	Interest Rate Range	Final Maturity	Call Information
1997-REF	\$11,225,000	\$1,855,000	4.750 - 4.750%	02/01/22	Feb 2007 @ 102%
1998	\$11,355,000	\$8,430,000	4.750 - 4.875%	02/01/28	Feb 2008 @ 102%
2000 USDA	\$2,287,000	\$2,054,000	5.000%	05/01/39	N/A
2001	\$16,325,000	\$14,520,000	4.200 - 5.000%	02/01/26	Feb 2012 @ 100%
2002A-REF	\$45,485,000	\$42,440,000	4.500 - 5.000%	02/01/27	Feb 2012 @ 100%
2002B-REF	\$10,575,000	\$5,840,000	3.500 - 4.250%	02/01/17	Feb 2013 @ 100%
2003A-REF	\$1,615,000	\$1,360,000	3.000 - 4.600%	02/01/32	Feb 2013 @ 100%
2003B	\$30,270,000	\$24,110,000	2.250 - 4.125%	02/01/28	Aug 2013 @ 100%
2003C-REF	\$23,790,000	\$14,995,000	2.750 - 4.250%	02/01/20	Feb 2014 @ 100%
2003-KIA	N/A	\$3,125,000	3.000%	06/01/28	N/A
2004	\$10,455,000	\$8,735,000	2.625 - 4.500%	02/01/29	Aug 2014 @ 100%
2006	\$29,000,000	\$26,455,000	4.000 - 4.375%	02/01/31	Aug 2016 @ 100%
2007-KIA	\$4,000,000	\$3,785,980	3.000%	06/01/28	N/A
2009	\$29,290,000	\$27,645,000	3.750 - 6.150%	02/01/33	Feb 2019 @ 100%
<i>*Proposed Debt</i>					
2010-KIA A	\$4,000,000	\$4,000,000	1.000%	06/01/30	N/A
2010-KIA B	\$8,000,000	\$8,000,000	2.250%	06/01/30	N/A
2010-AMR	\$6,000,000	\$6,000,000	3.000%	06/01/20	N/A
2010-BAB	\$32,435,000	\$32,435,000	1.700 - 6.100%	02/01/35	Aug 2020 @ 100%
Totals:	\$276,107,000	\$235,784,980	---	---	---

Gross Debt Service Structure Report

FY Ending Dec 31st	Series 1997-REF Bonds	Series 1998 Bonds	Series 2000 USDA Loan	Series 2001 Bonds	Series 2002A-REF Bonds	Series 2002H-REF Bonds	Series 2003A-REF Bonds	Series 2003H Bonds	Series 2003C-REF Bonds	Series 2003-KIA Loan	Series 2004 Bonds	Series 2006 Bonds	Series 2007-KIA Loan	Series 2009 Bonds	-----Estimated-----				Less 2010-BAB Payment	Debt Service	
															Series 2010-KIA A Loan	Series 2010-KIA B Loan	Series 2010-AMR Loan	Series 2010-BAB Bonds			
2010	\$1,086,269	\$711,830	\$134,475	\$773,878	\$2,554,353	\$1,025,675	\$100,685	\$1,884,488	\$1,905,031	\$255,999	\$676,869	\$1,888,588	\$268,156	\$2,176,944	\$0	\$0	\$0	\$0	\$0	\$15,423,237	
2011	\$1,088,769	\$712,461	\$134,875	\$775,545	\$2,552,978	\$1,025,044	\$99,215	\$1,882,088	\$1,908,519	\$235,665	\$677,569	\$1,886,988	\$268,156	\$2,177,288	\$226,289	\$509,084	\$730,542	\$1,103,785	(\$386,325)	\$17,608,632	
2012	\$98,000	\$712,380	\$134,200	\$772,105	\$3,552,640	\$1,022,244	\$97,865	\$1,882,066	\$1,907,169	\$235,322	\$677,563	\$1,884,188	\$268,156	\$2,176,694	\$226,289	\$509,084	\$730,542	\$2,602,560	(\$376,646)	\$18,912,417	
2013	\$95,150	\$711,501	\$134,450	\$1,409,583	\$2,916,840	\$1,023,144	\$101,259	\$1,885,425	\$1,907,469	\$234,967	\$676,628	\$1,885,088	\$268,156	\$2,175,163	\$226,289	\$509,084	\$730,542	\$2,593,345	(\$369,021)	\$18,914,160	
2014	\$97,181	\$714,611	\$134,600	\$1,411,840	\$2,913,190	\$1,017,744	\$99,304	\$1,882,769	\$1,912,081	\$234,603	\$674,938	\$1,879,688	\$268,156	\$2,176,663	\$226,289	\$509,084	\$730,542	\$2,588,458	(\$501,210)	\$18,910,728	
2015	\$98,973	\$711,741	\$134,650	\$1,416,675	\$2,911,881	\$1,011,144	\$97,704	\$1,883,413	\$1,910,681	\$234,227	\$676,700	\$1,882,888	\$268,156	\$2,175,575	\$226,289	\$509,084	\$730,542	\$2,573,418	(\$550,690)	\$18,903,014	
2016	\$95,650	\$712,972	\$134,600	\$1,414,438	\$2,926,663	\$1,007,641	\$100,755	\$1,885,756	\$1,906,881	\$233,840	\$677,000	\$1,884,488	\$268,156	\$2,177,169	\$226,289	\$509,084	\$730,542	\$2,563,718	(\$338,551)	\$18,917,088	
2017	\$97,206	\$713,228	\$134,450	\$1,419,288	\$3,386,944	\$546,369	\$98,655	\$1,882,394	\$1,905,581	\$233,441	\$676,700	\$1,884,488	\$268,156	\$2,174,663	\$226,289	\$509,084	\$730,542	\$2,548,743	(\$224,560)	\$18,911,658	
2018	\$98,525	\$712,509	\$134,200	\$1,416,063	\$4,183,500		\$101,355	\$1,884,394	\$1,744,881	\$233,030	\$675,800	\$1,794,688	\$268,156	\$2,177,100	\$226,289	\$509,084	\$730,542	\$2,533,998	(\$98,809)	\$18,915,213	
2019	\$94,725	\$710,816	\$134,825	\$1,420,700	\$4,180,950		\$98,880	\$1,884,394	\$1,748,641	\$232,607	\$679,200	\$1,795,088	\$268,156	\$2,176,225	\$226,289	\$509,084	\$730,542	\$2,514,693	(\$93,842)	\$18,914,170	
2020	\$95,806	\$713,025	\$134,325	\$1,422,963	\$4,481,250		\$101,293	\$1,881,566	\$1,184,650	\$232,171	\$675,800	\$2,057,663	\$268,156	\$2,177,356	\$226,289	\$509,084	\$365,271	\$2,499,858	(\$472,430)	\$18,554,073	
2021	\$96,650	\$714,016	\$134,700	\$1,421,500	\$4,483,250		\$98,593	\$1,880,775		\$231,722	\$675,550	\$1,890,584	\$268,156	\$2,174,888	\$226,289	\$509,084		\$2,476,483	(\$452,019)	\$16,830,019	
2022	\$97,256	\$713,788	\$133,950	\$1,421,125	\$4,482,125		\$100,780	\$1,882,613		\$231,259	\$679,288	\$1,889,847	\$268,156	\$2,177,825	\$226,289	\$509,084		\$2,455,620	(\$430,717)	\$16,838,286	
2023		\$712,341	\$134,075	\$1,418,000	\$4,482,500		\$97,839	\$1,881,975		\$230,782	\$677,013	\$1,999,675	\$268,156	\$2,176,363	\$226,289	\$509,084		\$2,431,493	(\$408,272)	\$16,837,310	
2024		\$714,553	\$134,050	\$1,421,875	\$4,483,875		\$99,768	\$1,883,759		\$230,291	\$678,725	\$1,897,028	\$268,156	\$2,174,550	\$226,289	\$509,084		\$2,408,396	(\$384,439)	\$16,745,560	
2025		\$710,425	\$133,875	\$1,422,500	\$4,485,750		\$101,469	\$1,882,863		\$229,785	\$679,313	\$1,903,969	\$268,156	\$2,177,263	\$226,289	\$509,084		\$2,386,470	(\$359,265)	\$16,757,943	
2026		\$714,834	\$133,550	\$1,424,750	\$4,482,750		\$98,056	\$1,884,181		\$229,263	\$678,775	\$1,907,288	\$268,156	\$2,175,356	\$226,289	\$509,084		\$2,356,113	(\$332,899)	\$16,755,555	
2027		\$712,659	\$134,050		\$4,484,375		\$99,530	\$1,882,613		\$228,726	\$677,113	\$1,906,944	\$268,156	\$2,177,025	\$226,289	\$509,084		\$2,331,595	(\$305,058)	\$15,233,099	
2028	\$445,603		\$133,375				\$100,755	\$1,882,053		\$114,156	\$679,213	\$1,908,731	\$134,078	\$2,176,725	\$226,289	\$509,084		\$2,302,538	(\$275,638)	\$10,337,961	
2029			\$133,525				\$96,845				\$679,963	\$1,917,331		\$2,175,875	\$226,289	\$509,084		\$2,268,830	(\$244,911)	\$7,763,150	
2030			\$133,475				\$97,820					\$1,916,516		\$2,174,175		\$113,144	\$254,542	\$2,235,215	(\$211,825)	\$6,713,062	
2031			\$133,225				\$98,565					\$1,921,125		\$2,176,175				\$2,201,280	(\$177,198)	\$6,353,172	
2032			\$133,750				\$30,690							\$2,176,338				\$2,167,480	(\$140,800)	\$4,367,390	
2033			\$133,050											\$2,178,575				\$2,128,563	(\$102,747)	\$4,337,441	
2034			\$134,100															\$2,089,340	(\$62,769)	\$2,160,671	
2035			\$133,875															\$2,045,543	(\$21,100)	\$2,158,228	
2036			\$133,400																		\$133,400
2037			\$133,650																		\$133,650
2038			\$133,600																		\$133,600
2039			\$133,250																		\$133,250
2040																					\$0
Totals:	\$3,240,163	\$13,275,293	\$4,020,175	\$22,182,825	\$67,945,783	\$7,679,003	\$2,217,978	\$35,780,581	\$19,941,584	\$4,301,854	\$13,549,716	\$41,783,875	\$4,960,889	\$52,231,769	\$4,412,627	\$9,927,131	\$6,940,146	\$58,407,529	(\$9,090,383)	\$363,707,533	

Principal Reduction Report

FY Ending Dec 31st	<i>-----Estimated-----</i>																		Debt Retirement (10 Years)	
	Series 1997-REF Bonds	Series 1998 Bonds	Series 2000 USDA Loan	Series 2001 Bonds	Series 2002A-REF Bonds	Series 2002B-REF Bonds	Series 2003A-REF Bonds	Series 2003B Bonds	Series 2003C-REF Bonds	Series 2003-KIA Loan	Series 2004 Bonds	Series 2006 Bonds	Series 2007-KIA Loan	Series 2009 Bonds	Series 2010-KIA A Loan	Series 2010-KIA B Loan	Series 2010-AMR Loan	Series 2010-BAB Bonds		Outstanding Principal
2010	\$975,000	\$295,000	\$31,000	\$75,000	\$465,000	\$775,000	\$40,000	\$940,000	\$1,305,000	\$132,433	\$305,000	\$775,000	\$155,736	\$645,000	\$0	\$0	\$0	\$0	\$235,591,297	45.63%
2011	\$1,025,000	\$310,000	\$33,000	\$80,000	\$485,000	\$805,000	\$40,000	\$965,000	\$1,350,000	\$136,436	\$315,000	\$805,000	\$160,443	\$670,000	\$186,754	\$330,935	\$554,671	\$0	\$227,339,058	48.63%
2012	\$60,000	\$325,000	\$34,000	\$80,000	\$1,530,000	\$835,000	\$40,000	\$995,000	\$1,395,000	\$140,560	\$325,000	\$835,000	\$165,293	\$695,000	\$188,627	\$338,423	\$571,436	\$955,000	\$217,830,721	51.82%
2013	\$60,000	\$340,000	\$36,000	\$735,000	\$950,000	\$870,000	\$45,000	\$1,030,000	\$1,445,000	\$144,808	\$335,000	\$870,000	\$170,289	\$720,000	\$190,517	\$346,080	\$588,707	\$965,000	\$207,989,319	55.49%
2014	\$65,000	\$360,000	\$38,000	\$770,000	\$990,000	\$900,000	\$45,000	\$1,060,000	\$1,505,000	\$149,185	\$345,000	\$900,000	\$175,436	\$750,000	\$192,427	\$353,911	\$606,501	\$985,000	\$197,798,859	59.69%
2015	\$70,000	\$375,000	\$40,000	\$810,000	\$1,035,000	\$930,000	\$45,000	\$1,095,000	\$1,565,000	\$153,694	\$360,000	\$940,000	\$180,738	\$780,000	\$194,357	\$361,918	\$624,832	\$1,000,000	\$187,238,319	64.59%
2016	\$70,000	\$395,000	\$42,000	\$845,000	\$1,100,000	\$965,000	\$50,000	\$1,135,000	\$1,625,000	\$158,340	\$375,000	\$980,000	\$186,201	\$815,000	\$196,305	\$370,107	\$643,718	\$1,025,000	\$176,261,648	70.35%
2017	\$75,000	\$415,000	\$44,000	\$890,000	\$1,625,000	\$535,000	\$50,000	\$1,175,000	\$1,690,000	\$163,126	\$390,000	\$1,020,000	\$191,829	\$850,000	\$198,273	\$378,482	\$663,174	\$1,050,000	\$164,857,765	76.33%
2018	\$80,000	\$435,000	\$46,000	\$930,000	\$2,520,000	\$55,000	\$55,000	\$1,225,000	\$1,595,000	\$168,056	\$405,000	\$970,000	\$197,627	\$895,000	\$200,261	\$387,045	\$683,219	\$1,080,000	\$152,985,557	80.20%
2019	\$80,000	\$455,000	\$49,000	\$980,000	\$2,640,000	\$55,000	\$55,000	\$1,275,000	\$1,665,000	\$173,136	\$425,000	\$1,010,000	\$203,600	\$940,000	\$202,268	\$395,803	\$703,869	\$1,110,000	\$140,622,881	83.07%
2020	\$85,000	\$480,000	\$51,000	\$1,030,000	\$3,080,000	\$60,000	\$60,000	\$1,325,000	\$1,160,000	\$178,369	\$440,000	\$1,320,000	\$209,754	\$990,000	\$204,296	\$404,758	\$359,873	\$1,150,000	\$128,094,832	85.87%
2021	\$90,000	\$505,000	\$54,000	\$1,080,000	\$3,240,000	\$60,000	\$60,000	\$1,380,000	\$1,180,000	\$183,760	\$460,000	\$1,205,000	\$216,094	\$1,040,000	\$206,344	\$413,917	\$1,185,000	\$116,775,717	\$116,775,717	89.30%
2022	\$95,000	\$530,000	\$56,000	\$1,135,000	\$3,405,000	\$65,000	\$65,000	\$1,440,000	\$1,189,314	\$485,000	\$1,255,000	\$222,625	\$1,100,000	\$208,413	\$423,282	\$1,225,000	\$104,941,083	\$104,941,083	\$104,941,083	91.78%
2023	\$555,000	\$59,000	\$1,190,000	\$3,580,000	\$65,000	\$1,500,000	\$195,036	\$505,000	\$1,420,000	\$229,354	\$1,160,000	\$210,502	\$432,860	\$1,265,000	\$92,574,332	\$92,574,332	\$92,574,332	\$92,574,332	\$92,574,332	95.04%
2024	\$585,000	\$62,000	\$1,255,000	\$3,765,000	\$70,000	\$1,565,000	\$200,931	\$530,000	\$1,375,000	\$236,286	\$1,225,000	\$212,612	\$442,654	\$1,310,000	\$79,739,848	\$79,739,848	\$79,739,848	\$79,739,848	\$79,739,848	96.77%
2025	\$610,000	\$65,000	\$1,320,000	\$3,960,000	\$75,000	\$1,630,000	\$207,004	\$555,000	\$1,440,000	\$243,428	\$1,300,000	\$214,744	\$452,670	\$1,360,000	\$66,307,003	\$66,307,003	\$66,307,003	\$66,307,003	\$66,307,003	99.27%
2026	\$645,000	\$68,000	\$1,390,000	\$4,160,000	\$75,000	\$1,700,000	\$213,261	\$580,000	\$1,505,000	\$250,786	\$1,375,000	\$216,896	\$462,912	\$1,405,000	\$52,260,148	\$52,260,148	\$52,260,148	\$52,260,148	\$52,260,148	99.29%
2027	\$675,000	\$72,000	\$4,375,000	\$80,000	\$1,770,000	\$219,707	\$605,000	\$1,570,000	\$258,366	\$1,460,000	\$219,071	\$473,386	\$1,460,000	\$39,022,619	\$39,022,619	\$39,022,619	\$39,022,619	\$39,022,619	\$39,022,619	99.35%
2028	\$435,000	\$75,000	\$85,000	\$1,845,000	\$112,331	\$635,000	\$1,640,000	\$132,097	\$1,550,000	\$221,267	\$484,097	\$1,515,000	\$30,292,827	\$99,57%						
2029		\$79,000	\$85,000	\$1,720,000	\$1,645,000	\$223,485	\$495,051	\$1,570,000	\$23,810,291	100.00%										
2030		\$83,000	\$90,000	\$1,795,000	\$1,745,000	\$112,581	\$251,710	\$1,630,000	\$18,103,000											
2031		\$87,000	\$95,000	\$1,880,000	\$1,855,000			\$1,695,000	\$12,491,000											
2032		\$92,000	\$30,000	\$1,975,000	\$1,765,000	\$8,629,000		\$1,765,000	\$8,629,000											
2033		\$96,000		\$2,110,000	\$1,835,000	\$4,588,000		\$1,835,000	\$4,588,000											
2034		\$102,000			\$1,910,000	\$2,576,000		\$1,910,000	\$2,576,000											
2035		\$107,000			\$1,985,000	\$484,000		\$1,985,000	\$484,000											
2036		\$112,000				\$372,000			\$372,000											
2037		\$118,000				\$254,000			\$254,000											
2038		\$124,000				\$130,000			\$130,000											
2039		\$130,000				\$0			\$0											
2040						\$0			\$0											
Totals:	\$2,830,000	\$8,725,000	\$2,085,000	\$14,595,000	\$42,905,000	\$6,615,000	\$1,400,000	\$25,050,000	\$16,300,000	\$3,219,487	\$9,040,000	\$27,230,000	\$3,785,980	\$28,290,000	\$4,000,000	\$8,000,000	\$6,000,000	\$32,435,000	---	---

NKWD_PSCDR3_5_09142010

Rate Case 2010-000094

Witness: Bragg

Memorial Parkway Treatment Plant Improvements KIA Loan

Beginning Principal **\$8,000,000**

Interest Rate **2.25%**

Term **20 Years**

			Total	Outstanding
Year	Principal	Interest	Payment	Balance
2011	\$330,935	\$178,149	\$509,084	\$7,669,065
2012	\$338,423	\$170,661	\$509,084	\$7,330,642
2013	\$346,080	\$163,004	\$509,084	\$6,984,562
2014	\$353,911	\$155,173	\$509,084	\$6,630,651
2015	\$361,918	\$147,166	\$509,084	\$6,268,733
2016	\$370,107	\$138,977	\$509,084	\$5,898,626
2017	\$378,482	\$130,602	\$509,084	\$5,520,144
2018	\$387,043	\$122,041	\$509,084	\$5,133,101
2019	\$395,803	\$113,281	\$509,084	\$4,737,298
2020	\$404,758	\$104,326	\$509,084	\$4,332,540
2021	\$413,917	\$95,167	\$509,084	\$3,918,623
2022	\$423,282	\$85,802	\$509,084	\$3,495,341
2023	\$432,860	\$76,224	\$509,084	\$3,062,481
2024	\$442,654	\$66,430	\$509,084	\$2,619,827
2025	\$452,670	\$56,414	\$509,084	\$2,167,157
2026	\$462,912	\$46,172	\$509,084	\$1,704,245
2027	\$473,386	\$35,698	\$509,084	\$1,230,859
2028	\$484,097	\$24,987	\$509,084	\$746,762
2029	\$495,051	\$14,033	\$509,084	\$251,711
2030	\$251,711	\$2,831	\$254,542	\$0
	\$8,000,000	\$1,927,138	\$9,927,138	

Q6. Refer to NKWD's response to Commission Staff's Second Information Request, Item 7. In Case No. 2008-00188, the Commission authorized NKWD to enter into a loan agreement with KIA to borrow \$2,700,000 to fund improvements at the Fort Thomas Treatment Plant. KIA authorized a loan of \$4,000,000 to finance the proposed facility and distribution upgrades.

Q6a. State the date on which NKWD executed its loan agreement with KIA to obtain the \$2,700,000 loan.

A6a. November 1, 2008.

Q6b. State the date on which NKWD executed or will execute a loan agreement with KIA to obtain the additional \$1,300,000.

A6b. This amount was part of the agreement on November 1, 2008.

Q6c. State whether the loan approved in Case No. 2008-00188 is listed in the Gross Debt Service Report and the Principal Reduction Report as the Series 2010-KIA Loan. If yes, indicate where it is found in these reports..

A6c. Yes it is in both of these reports. It is designated Series 2010-KIA-A.

Q6d. If the response in Item 6c is yes, explain why the total principal payments for the Series 2010-KIA are listed as \$4,000,000 in the Principal Reduction Report but NKWD has only received Commission authorization to obtain \$2,700,000 of the \$4,000,000 KIA Loan.

A6d. The remaining \$1,300,000 is for various projects that do not require a certificate of necessity. These projects are not ready to begin at this time thus we have not drawn funds from KIA. NKWD will file an application for the financing prior to utilizing these funds. See page 2, paragraph 14 of the final order, Case No. 2008-00188, dated August 13, 2008.

- Q7. Refer to NKWD's response to Commission Staff's Second Information Request, Item 7. Given that the Commission authorized NKWD to obtain the Series 2010-KIA Loan on August 13, 2008 and the Series 2010-AMR Loan on August 21, 2010, explain why these loans are identified on the Gross Debt Structure Report and the Principal Reduction Report as "Estimated."
- A7. This is an internal terminology used by NKWD and Ross, Sinclair, and Associates to describe the loans as, KIA does not provide a final amortization schedule for each issue until the full extent of the funds has been drawn by the District.

Q8. Refer to NKWD's response to Commission Staff's Second Information Request, Item 9(a). NKWD calculated its three-year average debt service of \$17,314,762 using the annual debt service for the years 2010, 2011, and 2012.

Q8a. State whether the debt service for the KIA loan of \$8,000,000 is included in the average debt service of \$17,314,762.

A8a. Yes.

Q8b. Given that NKWD's proposed rates have been suspended until January 1, 2011, explain why it is appropriate to include the annual debt service payments for 2010 in the calculation of NKWD's three-year average debt service.

A8b. At the time the application was submitted the rates had not been suspended and NKWD was asking for the rates to be effective in July 2010.

Q8c. State NKWD's three-year average if the annual debt service payments for the calendar years 2011, 2012, and 2013 are used and the debt service for the KIA loan of \$8,000,000 is included in the calculation.

A8c.	2011	\$17,608,632	
	2012	\$18,912,417	
	2013	\$18,914,160	
		\$55,435,209	
		\$18,478,403	three-year average

Q8d. Refer to NKWD's Supplemental Filing of June 14, 2010 Item 6, "Summary of Revenue Requirements Test Year 2009." Provide a revised revenue requirement using the average debt service calculated in response to Item 8(c).

A8d. See Attached Schedule

NKWD_PSCDR3_8_091410
Rate Case 2010-00094
Q8D
Witness: Bragg

NORTHERN KENTUCKY WATER DISTRICT

SUMMARY OF REVENUE REQUIREMENTS - REVISED
TEST YEAR 2009

	<u>Total</u>
Operation and Maintenance Expense	\$ 23,815,181
Debt Service Requirements	18,478,403
Debt Service Coverage	3,695,681
Depreciation Expense	8,023,443
Amorization of Acquisition Adjustment	201,120
Taxes Other than Income	<u>663,941</u>
Total Revenue Requirements	\$ 54,877,770
Less: Boone & Florence Settlement	(438,584)
Less: Other Operating Revenue	<u>(4,426,722)</u>
Net Revenue Requirements	<u><u>\$ 50,012,464</u></u>

- Q9. Refer to NKWD's response to Commission Staff's Second Information Request, Item 9(b). The Commission requested NKWD to "list all rate adjustment proceedings in which the Kentucky Public Service Commission has authorized the inclusion in NKWD's revenue requirement. NKWD's response was not responsive. Provide the information that was originally requested.
- A9. As we previously provided, the only mention of this issue was found on page 4 of the order dated April 16, 2002. The statement on that page was "The Commission further finds that the rate-making treatment of the plant acquisition adjustment and any associated costs (i.e.; amortization and debt service) should be deferred until Northern Kentucky's next rate case proceeding." This is the only discussion by the Commission we have found as we reviewed rate case proceedings subsequent to this case.

Q10. Refer to NKWD's response to Commission Staff's Second Information Request, Item 10, and NKWD's Supplemental Filing of June 14, 2010, Item 6, "Summary of Revenue Requirements Test Year 2009." State whether NKWD has included the Commission assessment of \$63,775 in its pro forma operation and maintenance expense of \$23,815,181 and in its taxes other than income tax expense of \$663,941.

A10. The \$63,775 is included only in the taxes other than income tax expense of \$663,941. The total is the 699 account series total of \$600,166 and the \$63,775.

Q11. Refer to NKWD's response to Commission Staff's Second Information Request, Items 11 and 19.

Q11a. State whether the subdivision revenue of \$1,803,434 listed in the schedule NKWD provided in its response to Item 11 represents the sub-district surcharge collections.

A11a. No. It represents the account 479-0004-000 Subdivision Revenue Contributed Mains.

Q11b. If the response to Item 11(a) above is yes, explain the difference between the \$1,803,434 listed in that schedule and the \$612,708 that is calculated for the sub-district charge collections shown in NKWD's Response to Item 19.

A11b. N/A

Q11c. If the response to Item 11(a) is no, provide a more detailed description of the \$1,803,434 of subdivision revenue and explain why NKWD uses this revenue as an offset to its interest expense.

A11c Description is included in response to Q11a. The revenue is not used to offset interest expense; this was a mislabeling in the response in Commission Staff's Second Information Request. Attached is a corrected schedule.

				NKWD_PSCDR3_11_091410	
				Rate Caes 2010-00094	
				Q11	
Exhibit 6 06/14/10 Total	\$4,426,722.00			Witness: Bragg	
Detailed Items		District G/L NOs.	Included on Page 27 of Annual Report	Included on Page 10 of Annual Report	Notes
Penalties	\$765,149.00	470-0001-000	Account 470	Part of Operating Revenues 41,046,714 from p. 27	
Turn on Fees	\$309,380.00	471-0002-000 471-0005-000	Account 474	Part of Operating Revenues 41,046,714 from p. 27	
Rents	\$540,702.00	472-0001-000 472-0002-000	Account 472	Part of Operating Revenues 41,046,714 from p. 27	
Lab Test Fees	\$34,855.00	474-0008-000	N/A	Included in 421 Non Utility	
Material Sold	\$87,023.00	474-0010-0000	N/A	Included in 421 Non Utility	
Subdivision Revenue	\$1,803,434.00	479-0004-000	N/A	N/A	
Bulk Sales	\$88,960.00	461-0011-000	Account 461.6	Part of Operating Revenues 41,046,714 from p. 27	Exhibit includes the proposed 54.29% Incr.
Interest Earnings	\$638,600.00	419-0001-000	N/A	Included in 419 Interest & Dividend	
Miscellaneous Revenue					
Returned Checks	\$10,740.00	474-0002-000	Account 474	Part of Operating Revenues	
Water Sales Misc Hydrants	\$19,619.00	474-0001-000	Account 462.2	Part of Operating Revenues	
Bulk Sales	\$57,659.00	461-0011-000	Account 461.11	Part of Operating Revenues	Included in Error Again
Meter Tests	\$150.00	471-0001-000	Account 474	Part of Operating Revenues	
Income Misc	\$59,715.00	474-0004-000	N/A	Included in 421 Non Utility	
Commission on Sales Tax	\$7,549.00	474-0009-000	N/A	Included in 421 Non Utility	
Cash Over (Short)	(\$80.00)	474-011-000	N/A	Included in 421 Non Utility	
Miscellaneous Income	\$3,267.00	474-0015-000	N/A	Included in 421 Non Utility	
Subtotal Misc.	\$158,619.00				
Grand Total Exhibit Detail	\$4,426,722.00				

Q11. Refer to NKWD's response to Commission Staff's Second Information Request, Items 11 and 19.

Q11a. State whether the subdivision revenue of \$1,803,434 listed in the schedule NKWD provided in its response to Item 11 represents the sub-district surcharge collections.

A11a. No. It represents the account 479-0004-000 Subdivision Revenue Contributed Mains.

Q11b. If the response to Item 11(a) above is yes, explain the difference between the \$1,803,434 listed in that schedule and the \$612,708 that is calculated for the sub-district charge collections shown in NKWD's Response to Item 19.

A11b. N/A

Q11c. If the response to Item 11(a) is no, provide a more detailed description of the \$1,803,434 of subdivision revenue and explain why NKWD uses this revenue as an offset to its interest expense.

A11c Description is included in response to Q11a. The revenue is not used to offset interest expense; this was a mislabeling in the response in Commission Staff's Second Information Request. Attached is a corrected schedule.

				NKWD_PSCDR3_11_091410	
				Rate Caes 2010-00094	
				Q11	
Exhibit 6 06/14/10 Total	\$4,426,722.00			Witness: Bragg	
Detailed Items		District G/L NOs.	Included on Page 27 of Annual Report	Included on Page 10 of Annual Report	Notes
Penalties	\$765,149.00	470-0001-000	Account 470	Part of Operating Revenues 41,046,714 from p. 27	
Turn on Fees	\$309,380.00	471-0002-000 471-0005-000	Account 474	Part of Operating Revenues 41,046,714 from p. 27	
Rents	\$540,702.00	472-0001-000 472-0002-000	Account 472	Part of Operating Revenues 41,046,714 from p. 27	
Lab Test Fees	\$34,855.00	474-0008-000	N/A	Included in 421 Non Utility	
Material Sold	\$87,023.00	474-0010-0000	N/A	Included in 421 Non Utility	
Subdivision Revenue	\$1,803,434.00	479-0004-000	N/A	N/A	
Bulk Sales	\$88,960.00	461-0011-000	Account 461.6	Part of Operating Revenues 41,046,714 from p. 27	Exhibit includes the proposed 54.29% Incr.
Interest Earnings	\$638,600.00	419-0001-000	N/A	Included in 419 Interest & Dividend	
Miscellaneous Revenue					
Returned Checks	\$10,740.00	474-0002-000	Account 474	Part of Operating Revenues	
Water Sales Misc Hydrants	\$19,619.00	474-0001-000	Account 462.2	Part of Operating Revenues	
Bulk Sales	\$57,659.00	461-0011-000	Account 461.11	Part of Operating Revenues	Included in Error Again
Meter Tests	\$150.00	471-0001-000	Account 474	Part of Operating Revenues	
Income Misc	\$59,715.00	474-0004-000	N/A	Included in 421 Non Utility	
Commission on Sales Tax	\$7,549.00	474-0009-000	N/A	Included in 421 Non Utility	
Cash Over (Short)	(\$80.00)	474-011-000	N/A	Included in 421 Non Utility	
Miscellaneous Income	\$3,267.00	474-0015-000	N/A	Included in 421 Non Utility	
Subtotal Misc.	\$158,619.00				
Grand Total Exhibit Detail	\$4,426,722.00				

Q12. Refer to NKWD's Response to Commission Staff's Second Information Request, Item 11, and NKWD's Annual Report to the Public Service Commission for the Calendar Year Ended December 31, 2009 ("2009 Annual Report") at 10. In the schedule provided in its response to item 11, NKWD shows that \$192,329 in credits were recorded in Account 426, Nonutility Income, but in the 2009 Annual Report this account has a debit balance of \$229,112. Provide a detail explanation for the apparent discrepancy of \$421,441 between the revenues listed in the schedule to the debit amount reported in the 2009 Annual Report.

A12. Line 426, Page 10 of the District's PSC Annual report for 2009 is the total of the following accounts.

474-0004-000	Miscellaneous	59,715
474-0008-000	LAB Test Fees	34,855
474-0009-000	Commission on Sales Tax	7,549
474-0010-000	Material Sold (15%) Overhead	87,023
474-0015-000	Miscellaneous Income	3,272
530-0001-000	Loss on Abandonment of Assets	(421,526)
	Total	(229,112) Dr. in 421
Add Back Account 530-0001-000		421,526
Less:		
Rounding adj. in 474-0015-000		(5)
Cash Over & Short 474-0011-000		(80)
Adjusted Amount		192,329

Q13. Refer to the Application, Exhibit N, Cost-of-Service Study, Schedule B at 1.

Q13A In the allocation of costs for transmission and distribution operations, gas expense was allocated by using Factor 6, "costs associated with transmission and distribution mains." Explain why this factor was used instead of Factor 1, "costs that vary with the amount of water used."

A13a. The cost of gas in the transmission and distribution category is for natural gas purchases used for heating transmission and distribution facilities. It is not fuel for pumping.

Q13b. Factor 6 is an appropriate method for allocating these costs, explain why the same factor should not be used when allocating purchased power costs. If the use of Factor 6 is not appropriate, explain why not.

A13b. See response to part a. Purchased power used for pumping varies with the amount of water pumped so Factor 1 is appropriate. Natural gas used for heating facilities does not vary with water pumpage so Factor 6 is appropriate.

Q13c. Explain why costs for "gas" would be used for water treatment operations. State whether this reference refers to costs for natural gas or gasoline.

A13c. See responses to parts a and b.

Q14. Refer to NKWD's Response to Commission Staff's Second Information Request, Item 16, Factors for Allocating Cost of Service to Customer Classification, Factor 4, Allocation of Costs Associated with Facilities Serving Base and Maximum Hour Extra Capacity Functions. There appears to be a reference error in the calculations concerning Private Fire Protection.

Q14a. Provide a revised Factor 4 page with the reference corrected.

A14a. See attached revised Factor 4 page.

Q14b. If no reference error exists in NKWD's calculations, explain this reference error in the electronic version submitted to the Commission.

A14b. The reference error related to a place holder in the Excel program for the Private Fire customer class. Since NKWD does not have private fire customers, the reference error does not effect NKWD's calculations.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		Allocation Factor
	CCF	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)	(4)=(3) X 0.3295	(5)	(6)=(5) X 0.4613	(7)	(8)=(7) X 0.2092	(9)=(4)+(6)+(8)
Residential	656.7	0.5497	0.1812	0.6543	0.3018			0.4830
Commercial/Multi-Family	327.4	0.2741	0.0903	0.2446	0.1128			0.2031
Industrial	129.5	0.1084	0.0357	0.0645	0.0298			0.0655
Other Public Authority	73.4	0.0614	0.0202	0.0366	0.0169			0.0371
Wholesale Customers	0.0	0.0000	0.0000	0.0000	0.0000			0.0000
Private Fire Protection	0.0	0.0000	0.0000			0.0000	0.0000	0.0000
Fire Protection	7.6	0.0064	0.0021			1.0000	0.2092	0.2113
Total	1,194.6	1.0000	0.3295	1.0000	0.4613	1.0000	0.2092	1.0000

The maximum hour extra capacity factors in column 5 are determined on the next page.

Q16. Refer to NKWD's Response to Commission Staff's Second Information Request, Item 25.

Q16a. State whether NKWD intends to submit to the Commission a revised tariff that defines and outlines when this Overtime Charge will be assessed to NKWD customers.

A16a. Yes. Revised tariff is attached.

Q16b. If NKWD does not intend to submit a revised tariff containing such provisions, explain why not.

A16b. N/A

Q16c. Explain how a customer will know when the Overtime Charge will be assessed.

A16c. When a customer requests to have their water service turned on or off outside the normal business hours, they will be informed of the overtime charge. The charge must be paid prior to the water being turned off or on. The customer can pay by credit card, online, check, or by cash.

Q16d. Explain how applying the Overtime Charge to a customer's arrears portion of his or her bill is appropriate.

A16d. The amount will not be added to the customer's bill, the charge must be paid prior to the water being turned off or on.

Q16e. Explain why a separate line charge is not being used to inform the customer of the charge type with the amount of the charge.

A16e. Refer to response for A16d.

- Q17. Refer to NKWD's Response to Commission Staff's Second Information Request, Item 16. When the Excel spreadsheet file is opened, the following error message appears: "Microsoft Office Excel cannot calculate a formula. Cell references in the formula refer to the formula's result, creating a circular reference." Provide a revised Microsoft Office Excel spreadsheet correcting the circular references on a computer disc.
- A17. Disc is enclosed. File – "NKWD_PSCDR3_17_Excel_091410". The District was able to open the file provide in the Second Data Request on the PSC web site and the file opened will out an error.

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account No.	Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Wholesale Customers (8)	Fire Protection (9)
OPERATION AND MAINTENANCE EXPENSES									
Source of Supply Operations									
615.1	Purchased Power	1	760,271	397,545	198,127	78,384	44,400	37,253	4,562
635.1	Contractual Service	2	2,405	1,314	606	233	132	111	9
	Total Operations		<u>762,676</u>	<u>398,860</u>	<u>198,732</u>	<u>78,617</u>	<u>44,532</u>	<u>37,364</u>	<u>4,571</u>
Maintenance									
620.2	Materials and Supplies	2	3,312	1,810	834	321	182	153	13
635.2	Contractual Service	2	7,095	3,877	1,787	688	390	327	27
	Total Maintenance		<u>10,407</u>	<u>5,686</u>	<u>2,622</u>	<u>1,008</u>	<u>571</u>	<u>480</u>	<u>40</u>
	Total Source of Supply		773,083	404,546	201,354	79,625	45,103	37,844	4,610
Water Treatment Operations									
601.3	Labor	2	1,243,463	679,428	313,228	120,492	68,266	57,324	4,725
601.3	Labor - Lab	2	433,779	237,017	109,269	42,033	23,814	19,997	1,648
615.3	Purchased Power	1	201,253	105,235	52,447	20,749	11,753	9,861	1,208
616.3	Gas	1	126,539	66,167	32,976	13,046	7,390	6,200	759
618.3	Chemicals	1	1,857,067	971,060	483,952	191,464	108,453	90,996	11,142
620.3	Materials and Supplies	2	199,637	109,082	50,289	19,345	10,960	9,203	759
631.3	Contractual Services - Engineering	2	16,380	8,950	4,126	1,587	899	755	62
633.3	Contractual Services	2	1,397	763	352	135	77	64	5
635.3	Contractual Services - Sludge	2	128,086	69,986	32,265	12,411	7,032	5,905	487
635.3	Contractual Services - Laboratory	2	56,571	30,911	14,250	5,482	3,106	2,608	215
635.3	Contractual Services - Other	2	182,252	99,583	45,909	17,660	10,006	8,402	693
650.3	Transportation Expense	2	48,568	26,538	12,234	4,706	2,666	2,239	185
	Total Operations		<u>4,494,992</u>	<u>2,404,720</u>	<u>1,151,297</u>	<u>449,111</u>	<u>254,422</u>	<u>213,555</u>	<u>21,888</u>
Maintenance									
601.4	Labor	2	756,822	413,527	190,643	73,336	41,550	34,889	2,876
620.4	Materials and Supplies	2	191,117	104,426	48,142	18,519	10,492	8,810	726
635.4	Contractual Services - Other	2	304,397	166,323	76,678	29,496	16,711	14,033	1,157
650.4	Transportation Expense	2	94	51	24	9	5	4	0
	Total Maintenance		<u>1,252,429</u>	<u>684,327</u>	<u>315,487</u>	<u>121,360</u>	<u>68,758</u>	<u>57,737</u>	<u>4,759</u>
	Total Water Treatment		5,747,421	3,089,047	1,466,784	570,471	323,180	271,292	26,647
Transmission and Distribution Operations									
601.5	Labor	6	813,921	390,356	167,912	56,812	32,150	7,895	158,796
615.5	Purchased Power	1	1,266,476	662,240	330,044	130,574	73,962	62,057	7,599
616.5	Gas	6	3,373	1,618	696	235	133	33	658
620.5	Materials and Supplies	6	127,498	61,148	26,303	8,899	5,036	1,237	24,875
631.5	Contractual Services - Engineering	6	6,345	3,043	1,309	443	251	62	1,238

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account No.	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Wholesale Customers	Fire Protection
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
633.5	Contractual Services	6	19,921	9,554	4,110	1,390	787	193	3,887
635.5	Contractual Services - Other	6	59,138	28,363	12,200	4,128	2,336	574	11,538
650.5	Transportation Expense	6	42,011	20,149	8,667	2,932	1,659	408	8,196
	Total Operations		2,338,683	1,176,471	551,240	205,414	116,314	72,458	216,787
	Maintenance								
601.6	Labor	11	657,015	340,991	118,591	35,085	21,813	6,176	134,359
601.6	Labor - Mains	6	1,450,899	695,851	299,320	101,273	57,311	14,074	283,070
601.6	Labor - Services	9	242,983	203,693	32,876	1,628	4,714	73	-
601.6	Labor - Hydrants	7	74,017	-	-	-	-	-	74,017
620.6	Materials and Supplies - Mains	6	524,742	251,666	108,254	36,627	20,727	5,090	102,377
620.6	Materials and Supplies - Services	9	294,899	247,214	39,900	1,976	5,721	88	-
620.6	Materials and Supplies - Meters	8	317	247	57	4	10	0	-
620.6	Materials and Supplies - Hydrants	7	86,168	-	-	-	-	-	86,168
620.6	Materials and Supplies	11	19,921	10,339	3,596	1,064	661	187	4,074
631.6	Contractual Services - Engineering	11	3,134	1,626	566	167	104	29	641
635.6	Contractual Services - Other	11	365,828	189,865	66,032	19,535	12,145	3,439	74,812
635.6	Water Tower Painting Write-off	5	370,176	157,584	66,187	21,285	12,068	10,106	102,946
635.6	Contractual Services - Water Towers	5	1,829	779	327	105	60	50	509
635.6	Contractual Services - Mains	6	306,867	147,174	63,307	21,419	12,121	2,977	59,870
635.6	Contractual Services - Services	9	114,547	96,025	15,498	767	2,222	34	-
642.6	Rental	11	750	389	135	40	25	7	153
650.6	Transportation Expense	11	269,589	139,917	48,661	14,396	8,950	2,534	55,131
	Total Maintenance		4,783,682	2,483,358	863,307	255,372	158,652	44,865	978,128
	Total Transmission and Distribution		7,122,365	3,659,829	1,414,547	460,786	274,967	117,322	1,194,914
	Customer Accounting								
601.7	Labor - Meter Reading	12	55,924	51,299	4,180	84	358	3	-
601.7	Labor - Meter Shop	8	190,954	148,333	34,104	2,635	5,729	153	-
601.7	Labor Field Service	8	667,526	518,534	119,220	9,212	20,026	534	-
601.7	Labor - Account Service	12	715,179	656,026	53,460	1,080	4,577	36	-
601.7	Labor - Courier	12	31,837	29,204	2,380	48	204	2	-
620.7	Materials and Supplies	12	80,802	74,119	6,040	122	517	4	-
620.7	Postage	12	49,486	45,393	3,699	75	317	2	-
633.7	Contractual Services - Account Service	12	2,508	2,301	187	4	16	0	-
633.7	Legal Fees	12	45	42	3	0	0	0	-
635.7	Contractual Services - Meter Reading	12	3,162	2,900	236	5	20	0	-
635.7	Contractual Services - Bill Printing/Mailing	12	175,502	160,987	13,119	265	1,123	9	-
635.7	Contractual Services - Collections	12	11,167	10,243	835	17	71	1	-
635.7	Contractual Services - Credit Card Processing	12	105,254	96,549	7,868	159	674	5	-
635.7	Contractual Services - Lock Box Processing	12	33,424	30,660	2,498	50	214	2	-
635.7	Contractual Services - Other	12	67,704	62,104	5,061	102	433	3	-
650.7	Transportation Expense	12	90,893	83,376	6,794	137	582	5	-
	Total Customer Accounting		2,281,368	1,972,068	259,685	13,996	34,861	758	0

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account No.	Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Wholesale Customers (8)	Fire Protection (9)
Administrative and General									
601.8	Labor	14	1,134,186	670,984	216,629	66,350	41,625	21,096	117,502
604.0	Employee Benefits	16	3,773,335	2,243,625	740,328	227,155	143,387	72,448	346,392
615.8	Utilities	14	161,417	95,494	30,831	9,443	5,924	3,002	16,723
620.8	Materials and Supplies	14	171,817	101,647	32,817	10,051	6,306	3,196	17,800
631.8	Contractual Services - Engineering	14	126,833	75,035	24,225	7,420	4,655	2,359	13,140
632.8	Contract Service Accounting/Audit	14	28,255	16,716	5,397	1,653	1,037	526	2,927
633.8	Legal Fees	14	142,184	84,116	27,157	8,318	5,218	2,645	14,730
634.8	Contractual Fees	14	70,691	41,821	13,502	4,135	2,594	1,315	7,324
635.8	Contractual Services - HR/Infor Systems	16	200,547	119,245	39,347	12,073	7,621	3,851	18,410
635.8	Contractual Services	14	596,884	353,116	114,005	34,918	21,906	11,102	61,837
650.8	Transportation Expense	14	6,971	4,124	1,331	408	256	130	722
656.0	Vehicle Insurance	14	34,280	20,280	6,548	2,005	1,258	638	3,551
657.0	General Liability Insurance	14	250,390	148,131	47,824	14,648	9,189	4,657	25,940
658.0	Workers Comp Insurance	16	73,911	43,948	14,501	4,449	2,809	1,419	6,785
659.0	Other Insurance	14	124,307	73,540	23,743	7,272	4,562	2,312	12,878
660.0	Advertising Expense	14	19,969	11,813	3,814	1,168	733	371	2,069
667.0	PSC Expense- Rate Case Expense	19	122,618	68,347	25,296	8,448	5,101	3,176	12,249
670.0	Bad Debt Expense	12	649,060	595,376	48,517	980	4,154	32	-
675.0	Miscellaneous Expense	14	203,290	120,266	38,828	11,892	7,461	3,781	21,061
Total Administrative and General			<u>7,890,945</u>	<u>4,887,625</u>	<u>1,454,642</u>	<u>432,787</u>	<u>275,794</u>	<u>138,055</u>	<u>702,042</u>
Total Operation & Maintenance Expenses			<u>23,815,181</u>	<u>14,013,115</u>	<u>4,797,012</u>	<u>1,557,665</u>	<u>953,905</u>	<u>565,272</u>	<u>1,928,213</u>

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account No.	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Wholesale Customers	Fire Protection
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(9)
DEPRECIATION EXPENSE									
304.1	Power and Pumping Structures - Intake	2	461,557	252,195	116,266	44,725	25,339	21,278	1,754
304.2	Water Treatment Plant	2	1,195,729	653,347	301,204	115,866	65,646	55,123	4,544
304.3	Pumping Structures	3	254,977	119,559	55,100	21,214	12,009	10,097	36,997
304.4	Office Buildings	14	464,589	274,851	88,737	27,178	17,050	8,641	48,131
304.5	Other Structures	14	1,461	864	279	85	54	27	151
304.6	Structures - Water Treatment	2	158,673	86,699	39,970	15,375	8,711	7,315	603
306.0	Lake, River and Other Intakes	2	27,567	15,063	6,944	2,671	1,513	1,271	105
309.0	Supply Mains	2	57,952	31,665	14,598	5,616	3,182	2,672	220
310.3	Power Generation Equipment	3	18,748	8,791	4,051	1,560	883	742	2,720
311.1	Pumping Equipment	3	190,079	89,128	41,076	15,815	8,953	7,527	27,580
311.2	Pumping Equipment	3	64,179	30,094	13,869	5,340	3,023	2,541	9,312
311.3	Pumping Equipment	3	300,831	141,060	65,010	25,029	14,169	11,913	43,651
320.1	Purification System	2	383,597	209,598	96,628	37,171	21,059	17,684	1,458
320.2	Purification System - Equipment	2	4,247	2,321	1,070	412	233	196	16
330.1	Distribution Reservoirs and Standpipes	5	304,197	129,497	54,391	17,491	9,917	8,305	84,597
330.3	Distribution Reservoirs and Standpipes - Taylor Mill	5	2,069	881	370	119	67	56	575
331.1	Mains and Accessories - 10" and larger	3	960,737	450,490	207,615	79,933	45,251	38,045	139,403
331.1	Mains and Accessories - Less than 10"	4	1,197,737	578,507	243,260	78,452	44,436	-	253,082
331.2	Mains and Accessories - 10" and larger	3	47,591	22,315	10,284	3,960	2,242	1,885	6,905
331.2	Mains and Accessories - Less than 10"	4	59,331	28,657	12,050	3,886	2,201	-	12,537
331.3	Mains and Accessories - 10" and larger	3	18,081	8,478	3,907	1,504	852	716	2,624
331.3	Mains and Accessories - Less than 10"	4	22,542	10,888	4,578	1,476	836	-	4,763
333.1	Services	9	566,612	474,991	76,663	3,796	10,992	170	-
333.2	Services - Taylor Mill	9	9,750	8,173	1,319	65	189	3	-
334.1	Meters	8	201,060	156,183	35,909	2,775	6,032	161	-
334.2	Meters	8	262	203	47	4	8	0	-
335.1	Fire Hydrants	7	160,683	-	-	-	-	-	160,683
335.3	Fire Hydrants - Taylor Mill	7	4,167	-	-	-	-	-	4,167
339.1	Miscellaneous Equipment	14	323,661	191,478	61,819	18,934	11,878	6,020	33,531
339.2	Miscellaneous Equipment	14	942	557	180	55	35	18	98
340.1	Office Furniture and Equipment	14	223,044	131,953	42,601	13,048	8,186	4,149	23,107
340.2	Office Furniture and Equipment	14	1,044	617	199	61	38	19	108
341.1	Transportation Equipment	14	241,904	143,111	46,204	14,151	8,878	4,499	25,061
341.2	Transportation Equipment	14	0	-	-	-	-	-	-
342.1	Stores Equipment	14	296	175	57	17	11	6	31
343.1	Tools,Shop and Garage Equipment	14	20,017	11,842	3,823	1,171	735	372	2,074
344.1	Laboratory Equipment	2	11,177	6,107	2,815	1,083	614	515	42
345.1	Power Operated Equipment	14	53,122	31,427	10,146	3,108	1,950	988	5,503
346.1	Communication Equipment	14	8,694	5,144	1,661	509	319	162	901
346.2	Communication Equipment	14	0	-	-	-	-	-	-
347.1	Miscellaneous Equipment	14	534	316	102	31	20	10	55
Total Depreciation Expense			8,023,443	4,307,224	1,664,805	563,687	337,510	213,126	937,091

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account No.	Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Industrial (6)	Public Authorities (7)	Wholesale Customers (8)	Fire Protection (9)
	Amort of Acq. Adj.	18	201,120	106,332	42,597	14,601	8,729	5,692	23,169
	Debt Service	18	17,314,762	9,154,315	3,667,267	1,257,052	751,461	490,008	1,994,661
	Debt Service Coverage	18	3,462,952	1,830,863	733,453	251,410	150,292	98,002	398,932
	Total Debt Service Requirements		20,777,714	10,985,178	4,400,720	1,508,462	901,753	588,009	2,393,593
	Taxes Other Than Income								
	Utility Reg Assessment Fee	19	63,774	35,548	13,157	4,394	2,653	1,652	6,371
	Employment Taxes	16	600,167	356,859	117,753	36,130	22,806	11,523	55,095
	Total Taxes, Other Than Income		663,941	392,407	130,909	40,524	25,459	13,175	61,466
	Total Cost of Service		53,481,400	29,804,255	11,036,043	3,684,940	2,227,356	1,385,274	5,343,532
	Less: Other Water Revenues								
	Penalties	19	765,149	426,494	157,850	52,719	31,830	19,817	76,438
	Turn On Fees	8	309,380	240,326	55,255	4,269	9,281	248	-
	Rent	19	540,702	301,387	111,547	37,254	22,493	14,004	54,016
	Lab Test Fees	2	34,855	19,045	8,780	3,377	1,914	1,607	132
	Material Sold	14	87,023	51,483	16,621	5,091	3,194	1,619	9,016
	Subdivision Revenue	18	1,803,434	953,476	381,967	130,929	78,269	51,037	207,756
	Boone Florence Settlement	19	438,584	244,467	90,480	30,218	18,245	11,359	43,815
	Bulk Sales	19	88,960	49,586	18,352	6,129	3,701	2,304	8,887
	Interest Earnings	19	638,601	355,956	131,743	44,000	26,566	16,540	63,796
	Miscellaneous Revenue	19	158,619	88,414	32,723	10,929	6,599	4,108	15,846
	Total Other Water Revenues		4,865,306	2,730,634	1,005,320	324,916	202,091	122,643	479,702
	Total Cost of Service Related to Sales of Water		\$ 48,616,094	\$ 27,073,621	\$ 10,030,724	\$ 3,360,023	\$ 2,025,265	\$ 1,262,631	\$ 4,863,830
	Reallocation of Fire Protection	20		3,781,142	869,653	67,121	145,915	0	(4,863,830)
	Total		\$ 48,616,094	\$ 30,854,763	\$ 10,900,376	\$ 3,427,144	\$ 2,171,180	\$ 1,262,631	\$ -

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO CUSTOMER CLASSIFICATIONS

<u>Account No.</u>	<u>Account</u>	<u>Factor Ref.</u>	<u>Cost of Service</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Public Authorities</u>	<u>Wholesale Customers</u>	<u>Fire Protection</u>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

boone florence

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account No.	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Wholesale Customers	Fire Protection
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
RATE BASE									
301.0	Organization	17	\$ 3,323	\$ 1,721	\$ 698	\$ 240	\$ 142	\$ 82	\$ 441
303.1	Land - Intake	2	29,200	15,955	7,355	2,829	1,603	1,346	111
303.2	Land - Treatment Plant	2	365,166	199,526	91,985	35,385	20,048	16,834	1,388
303.3	Land - Pump Station and Transmission	3	190,530	89,340	41,174	15,852	8,974	7,545	27,646
303.4	Land - CC	2	2,596,225	1,418,577	653,989	251,574	142,533	119,686	9,866
304.1	Power and Pumping Structures - Intake	2	12,353,321	6,749,855	3,111,802	1,197,037	678,197	569,488	46,943
304.2	Water Treatment Plant	2	31,255,874	17,078,209	7,873,355	3,028,694	1,715,947	1,440,896	118,772
304.3	Pumping Structures	3	5,017,888	2,352,888	1,084,366	417,488	236,343	198,708	728,096
304.4	Office Buildings	2	8,688,923	4,747,628	2,188,740	841,957	477,022	400,559	33,018
304.5	Other Structures	6	25,914	12,428	5,346	1,809	1,024	251	5,056
304.6	Structures - Water Treatment	6	4,081,594	1,957,533	842,033	284,895	161,223	39,591	796,319
306.0	Lake, River and Other Intakes	2	594,025	324,575	149,635	57,561	32,612	27,385	2,257
309.0	Supply Mains	2	2,335,616	1,276,180	588,342	226,321	128,225	107,672	8,875
310.3	Power Generation Equipment	3	1,387,331	650,520	299,802	115,426	65,343	54,938	201,302
311.1	Pumping Equipment	3	2,518,915	1,181,119	544,338	209,574	118,641	99,749	365,495
311.2	Pumping Equipment	3	307,663	144,263	66,486	25,598	14,491	12,183	44,642
311.3	Pumping Equipment	3	2,356,264	1,104,852	509,189	196,041	110,980	93,308	341,894
320.1	Purification System	2	7,362,920	4,023,099	1,854,720	713,467	404,224	339,431	27,979
320.2	Purification System - Equipment	2	37,073	20,257	9,339	3,592	2,035	1,709	141
330.1	Distribution Reservoirs and Standpipes	5	6,060,940	2,580,142	1,083,696	348,504	197,587	165,464	1,685,548
330.3	Distribution Reservoirs and Standpipes - Taylor Mill	5	52,112	22,184	9,318	2,996	1,699	1,423	14,492
331.1	Mains and Accessories - 10" and larger	3	48,581,515	22,779,872	10,498,465	4,041,982	2,288,189	1,923,828	7,049,178
331.1	Mains and Accessories - Less than 10"	4	60,565,901	29,253,330	12,300,934	3,967,067	2,246,995	0	12,797,575
331.2	Mains and Accessories - 10" and larger	3	2,484,295	1,164,886	536,856	206,693	117,010	98,378	360,471
331.2	Mains and Accessories - Less than 10"	4	3,097,136	1,495,917	629,028	202,862	114,904	0	654,425
331.3	Mains and Accessories - 10" and larger	3	972,831	456,161	210,229	80,940	45,820	38,524	141,158
331.3	Mains and Accessories - Less than 10"	4	1,212,815	585,790	246,323	79,439	44,995	0	256,268
333.1	Services	9	15,233,887	12,770,567	2,061,145	102,067	295,537	4,570	0
333.2	Services - Taylor Mill	9	333,938	279,940	45,182	2,237	6,478	100	0
334.1	Meters	8	6,311,872	4,903,062	1,127,300	87,104	189,356	5,049	0
334.2	Meters	8	2,379	1,848	425	33	71	2	0
335.1	Fire Hydrants	7	4,929,344	0	0	0	0	0	4,929,344
335.3	Fire Hydrants - Taylor Mill	7	130,417	0	0	0	0	0	130,417
339.1	Miscellaneous Equipment	14	760,860	450,125	145,324	44,510	27,924	14,152	78,825
339.2	Miscellaneous Equipment	14	1,285	760	246	75	47	24	133
340.1	Office Furniture and Equipment	14	1,239,689	733,400	236,781	72,522	45,497	23,058	128,432
340.2	Office Furniture and Equipment	14	9,263	5,480	1,769	542	340	172	960
341.1	Transportation Equipment	14	529,746	313,398	101,182	30,990	19,442	9,853	54,882
341.2	Transportation Equipment	14	0	0	0	0	0	0	0

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account No.	Account	Factor Ref.	Cost of Service	Residential	Commercial	Industrial	Public Authorities	Wholesale Customers	Fire Protection
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
342.1	Stores Equipment	14	444	263	85	26	16	8	46
343.1	Tools,Shop and Garage Equipment	14	117,250	69,365	22,395	6,859	4,303	2,181	12,147
344.1	Laboratory Equipment	2	42,514	23,230	10,709	4,120	2,334	1,960	162
345.1	Power Operated Equipment	14	204,360	120,900	39,033	11,955	7,500	3,801	21,172
346.1	Communication Equipment	14	66,884	39,568	12,775	3,913	2,455	1,244	6,929
346.2	Communication Equipment	14	0	0	0	0	0	0	0
347.1	Miscellaneous Equipment	14	4,455	2,636	851	261	163	83	462
	Total Utility Plant in Service		<u>234,453,899</u>	<u>121,401,349</u>	<u>49,242,741</u>	<u>16,923,038</u>	<u>9,978,270</u>	<u>5,825,238</u>	<u>31,083,263</u>
	Construction Work In Progress								
	Mains and Accessories - 10" and larger	3	6,754,778	3,167,316	1,459,708	561,998	318,150	267,489	980,118
	Mains and Accessories - Less than 10"	4	8,242,334	3,981,048	1,674,018	539,873	305,791	0	1,741,605
	Pumping Equipment	3	2,307,423	1,081,951	498,634	191,978	108,680	91,374	334,807
	Water Treatment Plant	2	13,240,809	7,234,778	3,335,360	1,283,034	726,920	610,401	50,315
	Distribution Reservoirs and Standpipes	5	27,319	11,630	4,885	1,571	891	746	7,597
	Meters	8	7,695,585	5,977,930	1,374,431	106,199	230,868	6,156	0
	General	14	111,525	65,978	21,301	6,524	4,093	2,074	11,554
	Total Construction Work in Progress		<u>38,379,774</u>	<u>21,520,630</u>	<u>8,368,337</u>	<u>2,691,177</u>	<u>1,695,392</u>	<u>978,241</u>	<u>3,125,997</u>
	Contributions in Aid of Construction	4	(33,948,961)	(16,397,348)	(6,895,034)	(2,223,657)	(1,259,506)	0	(7,173,415)
	Other Rate Base Items								
	Add:								
	Other Utility Plant Acquisitions/Adjustments	17	3,464,111	1,793,717	727,463	250,109	147,571	85,910	459,341
	Materials and Supplies	14	1,251,889	740,617	239,111	73,235	45,944	23,285	129,696
	Prepayments	14	316,138	187,027	60,382	18,494	11,602	5,880	32,752
	Prepayments - Tank Cleaning/Painting	5	2,002,184	852,330	357,991	115,126	65,271	54,660	556,807
	Unamortized Debt Discount and Expense	17	3,356,586	1,738,040	704,883	242,346	142,991	83,243	445,083
	Deferred Credits	17	2,887,791	1,495,298	606,436	208,499	123,020	71,617	382,921
	Regulatory Deferrals	19	46,124	25,710	9,515	3,178	1,919	1,195	4,608
	Total Other Rate Base Elements		<u>13,324,824</u>	<u>6,832,739</u>	<u>2,705,782</u>	<u>910,986</u>	<u>538,318</u>	<u>325,790</u>	<u>2,011,208</u>
	Total Original Cost Measure of Value		<u>\$ 252,209,536</u>	<u>\$ 133,357,371</u>	<u>\$ 53,421,826</u>	<u>\$ 18,301,543</u>	<u>\$ 10,952,474</u>	<u>\$ 7,129,269</u>	<u>\$ 29,047,053</u>

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO COST FUNCTION

			Base	Max Day	Max Hour	Meters	Services	Billing & Collecting	Fire Protection
OPERATION AND MAINTENANCE EXPENSES									
Source of Supply									
Operations									
615.1	Purchased Power	1	760,271	755,709	0	0	0	0	4,562
635.1	Contractual Service	2	2,405	1,494	902	0	0	0	9
	Total Operations		<u>762,676</u>	<u>757,203</u>	<u>902</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,571</u>
Maintenance									
620.2	Materials and Supplies	2	3,312	2,057	1,242	0	0	0	13
635.2	Contractual Service	2	7,095	4,407	2,661	0	0	0	27
	Total Maintenance		<u>10,407</u>	<u>6,465</u>	<u>3,903</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40</u>
	Total Source of Supply		<u>773,083</u>	<u>763,668</u>	<u>4,804</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,610</u>
Water Treatment									
Operations									
601.3	Labor	2	1,243,463	772,439	466,299	0	0	0	4,725
601.3	Labor - Lab	2	433,779	269,464	162,667	0	0	0	1,648
615.3	Purchased Power	1	201,253	200,046	0	0	0	0	1,208
616.3	Gas	1	126,539	125,780	0	0	0	0	759
618.3	Chemicals	1	1,857,067	1,845,924	0	0	0	0	11,142
620.3	Materials and Supplies	2	199,637	124,015	74,864	0	0	0	759
631.3	Contractual Services - Engineering	2	16,380	10,175	6,142	0	0	0	62
633.3	Contractual Services	2	1,397	868	524	0	0	0	5
635.3	Contractual Services - Sludge	2	128,086	79,567	48,032	0	0	0	487
635.3	Contractual Services - Laboratory	2	56,571	35,142	21,214	0	0	0	215
635.3	Contractual Services - Other	2	182,252	113,215	68,345	0	0	0	693
650.3	Transportation Expense	2	48,568	30,170	18,213	0	0	0	185
	Total Operations		<u>4,494,992</u>	<u>3,606,805</u>	<u>866,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,888</u>
Maintenance									
601.4	Labor	2	756,822	470,138	283,808	0	0	0	2,876
620.4	Materials and Supplies	2	191,117	118,722	71,669	0	0	0	726
635.4	Contractual Services - Other	2	304,397	189,092	114,149	0	0	0	1,157
650.4	Transportation Expense	2	94	58	35	0	0	0	0
	Total Maintenance		<u>1,252,429</u>	<u>778,009</u>	<u>469,661</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,759</u>
	Total Water Treatment		<u>5,747,421</u>	<u>4,384,814</u>	<u>1,335,961</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,647</u>
Transmission and Distribution									
Operations									
601.5	Labor	6	813,921	307,581	64,137	283,407	0	0	158,796
615.5	Purchased Power	1	1,266,476	1,258,877	0	0	0	0	7,599
616.5	Gas	6	3,373	1,275	266	1,174	0	0	658
620.5	Materials and Supplies	6	127,498	48,182	10,047	44,395	0	0	24,875
631.5	Contractual Services - Engineering	6	6,345	2,398	500	2,209	0	0	1,238

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO COST FUNCTION

			Base	Max Day	Max Hour	Meters	Services	Billing & Collecting	Fire Protection
633.5	Contractual Services	6	19,921	7,528	1,570	6,936	0	0	3,887
635.5	Contractual Services - Other	6	59,138	22,348	4,660	20,592	0	0	11,538
650.5	Transportation Expense	6	42,011	15,876	3,310	14,628	0	0	8,196
	Total Operations		<u>2,338,683</u>	<u>1,664,064</u>	<u>84,490</u>	<u>373,343</u>	<u>0</u>	<u>0</u>	<u>216,787</u>
Maintenance									
601.6	Labor	11	657,015	184,490	34,099	180,351	66	123,650	134,359
601.6	Labor - Mains	6	1,450,899	548,295	114,331	505,203	0	0	283,070
601.6	Labor - Services	9	242,983	0	0	0	0	242,983	0
601.6	Labor - Hydrants	7	74,017	0	0	0	0	0	74,017
620.6	Materials and Supplies - Mains	6	524,742	198,300	41,350	182,715	0	0	102,377
620.6	Materials and Supplies - Services	9	294,899	0	0	0	0	294,899	0
620.6	Materials and Supplies - Meters	8	317	0	0	0	317	0	0
620.6	Materials and Supplies - Hydrants	7	86,168	0	0	0	0	0	86,168
620.6	Materials and Supplies	11	19,921	5,594	1,034	5,468	2	3,749	4,074
631.6	Contractual Services - Engineering	11	3,134	880	163	860	0	590	641
635.6	Contractual Services - Other	11	365,828	102,725	18,986	100,420	37	68,849	74,812
635.6	Water Tower Painting Write-off	5	370,176	110,942	0	156,288	0	0	102,946
635.6	Contractual Services - Water Towers	5	1,829	548	0	772	0	0	509
635.6	Contractual Services - Mains	6	306,867	115,965	24,181	106,851	0	0	59,870
635.6	Contractual Services - Services	9	114,547	0	0	0	0	114,547	0
642.6	Rental	11	750	211	39	206	0	141	153
650.6	Transportation Expense	11	269,589	75,701	13,992	74,002	27	50,737	55,131
	Total Maintenance		<u>4,783,682</u>	<u>1,343,649</u>	<u>248,174</u>	<u>1,313,137</u>	<u>449</u>	<u>900,145</u>	<u>978,128</u>
	Total Transmission and Distribution		<u>7,122,365</u>	<u>3,007,713</u>	<u>332,664</u>	<u>1,686,480</u>	<u>449</u>	<u>900,145</u>	<u>1,194,914</u>
Customer Accounting									
601.7	Labor - Meter Reading	12	55,924	0	0	0	0	55,924	0
601.7	Labor - Meter Shop	8	190,954	0	0	0	190,954	0	0
601.7	Labor Field Service	8	667,526	0	0	0	667,526	0	0
601.7	Labor - Account Service	12	715,179	0	0	0	0	715,179	0
601.7	Labor - Courier	12	31,837	0	0	0	0	31,837	0
620.7	Materials and Supplies	12	80,802	0	0	0	0	80,802	0
620.7	Postage	12	49,486	0	0	0	0	49,486	0
633.7	Contractual Services - Account Service	12	2,508	0	0	0	0	2,508	0
633.7	Legal Fees	12	45	0	0	0	0	45	0
635.7	Contractual Services - Meter Reading	12	3,162	0	0	0	0	3,162	0
635.7	Contractual Services - Bill Printing/Mailing	12	175,502	0	0	0	0	175,502	0
635.7	Contractual Services - Collections	12	11,167	0	0	0	0	11,167	0
635.7	Contractual Services - Credit Card Processing	12	105,254	0	0	0	0	105,254	0
635.7	Contractual Services - Lock Box Processing	12	33,424	0	0	0	0	33,424	0
635.7	Contractual Services - Other	12	67,704	0	0	0	0	67,704	0
650.7	Transportation Expense	12	90,893	0	0	0	0	90,893	0
	Total Customer Accounting		<u>2,281,368</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>858,480</u>	<u>1,422,888</u>	<u>0</u>

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO COST FUNCTION

			Base	Max Day	Max Hour	Meters	Services	Billing & Collecting	Fire Protection	
Administrative and General										
601.8	Labor	14	1,134,186	380,973	159,126	165,137	84,043	88,126	139,278	117,502
604	Employee Benefits	16	3,773,335	1,306,706	572,415	505,250	419,972	202,628	419,972	346,392
615.8	Utilities	14	161,417	54,220	22,647	23,502	11,961	12,542	19,822	16,723
620.8	Materials and Supplies	14	171,817	57,713	24,106	25,017	12,732	13,350	21,099	17,800
631.8	Contractual Services - Engineering	14	126,833	42,603	17,795	18,467	9,398	9,855	15,575	13,140
632.8	Contract Service Accounting/Audit	14	28,255	9,491	3,964	4,114	2,094	2,195	3,470	2,927
633.8	Legal Fees	14	142,184	47,760	19,948	20,702	10,536	11,048	17,460	14,730
634.8	Contractual Fees	14	70,691	23,745	9,918	10,293	5,238	5,493	8,681	7,324
635.8	Contractual Services - HR/Infor Systems	16	200,547	69,450	30,423	26,853	22,321	10,769	22,321	18,410
635.8	Contractual Services	14	596,884	200,493	83,743	86,906	44,229	46,378	73,297	61,837
650.8	Transportation Expense	14	6,971	2,342	978	1,015	517	542	856	722
656	Vehicle Insurance	14	34,280	11,515	4,810	4,991	2,540	2,664	4,210	3,551
657	General Liability Insurance	14	250,390	84,106	35,130	36,457	18,554	19,455	30,748	25,940
658	Workers Comp Insurance	16	73,911	25,595	11,212	9,897	8,226	3,969	8,226	6,785
659	Other Insurance	14	124,307	41,755	17,440	18,099	9,211	9,659	15,265	12,878
660	Advertising Expense	14	19,969	6,707	2,802	2,907	1,480	1,552	2,452	2,069
667	PSC Expense- Rate Case Expense	19	122,618	53,731	20,931	13,243	7,185	7,933	7,345	12,249
670	Bad Debt Expense	12	649,060	0	0	0	0	0	649,060	0
675	Miscellaneous Expense	14	203,290	68,285	28,522	29,599	15,064	15,796	24,964	21,061
Total Administrative and General			<u>7,890,945</u>	<u>2,487,190</u>	<u>1,065,909</u>	<u>1,002,449</u>	<u>685,301</u>	<u>463,953</u>	<u>1,484,101</u>	<u>702,042</u>
Total Operation & Maintenance Expenses			<u>23,815,181</u>	<u>10,643,385</u>	<u>2,739,338</u>	<u>2,688,928</u>	<u>1,544,230</u>	<u>1,364,098</u>	<u>2,906,989</u>	<u>1,928,213</u>

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO COST FUNCTION

			Base	Max Day	Max Hour	Meters	Services	Billing & Collecting	Fire Protection	
DEPRECIATION EXPENSE										
304.1	Power and Pumping Structures - Intake	2	461,557	286,719	173,084	0	0	0	0	1,754
304.2	Water Treatment Plant	2	1,195,729	742,787	448,399	0	0	0	0	4,544
304.3	Pumping Structures	3	254,977	135,954	82,026	0	0	0	0	36,997
304.4	Office Buildings	14	464,589	156,055	65,182	67,644	34,426	36,099	57,052	48,131
304.5	Other Structures	14	1,461	491	205	213	108	114	179	151
304.6	Structures - Water Treatment	2	158,673	98,568	59,502	0	0	0	0	603
306	Lake, River and Other Intakes	2	27,567	17,125	10,338	0	0	0	0	105
309	Supply Mains	2	57,952	36,000	21,732	0	0	0	0	220
310.3	Power Generation Equipment	3	18,748	9,996	6,031	0	0	0	0	2,720
311.1	Pumping Equipment	3	190,079	101,350	61,148	0	0	0	0	27,580
311.2	Pumping Equipment	3	64,179	34,220	20,646	0	0	0	0	9,312
311.3	Pumping Equipment	3	300,831	160,403	96,777	0	0	0	0	43,651
320.1	Purification System	2	383,597	238,291	143,849	0	0	0	0	1,458
320.2	Purification System - Equipment	2	4,247	2,638	1,593	0	0	0	0	16
330.1	Distribution Reservoirs and Standpipes	5	304,197	91,168	0	128,432	0	0	0	84,597
330.3	Distribution Reservoirs and Standpipes - Taylor Mill	5	2,069	620	0	874	0	0	0	575
331.1	Mains and Accessories - Transmission	3	960,737	512,265	309,069	0	0	0	0	139,403
331.1	Mains and Accessories - Distribution	4	1,197,737	392,139	0	552,516	0	0	0	253,082
331.2	Mains and Accessories - Transmission	3	47,591	25,376	15,310	0	0	0	0	6,905
331.2	Mains and Accessories - Distribution	4	59,331	19,425	0	27,369	0	0	0	12,537
331.3	Mains and Accessories - Taylor Mill - Transmission	3	18,081	9,641	5,817	0	0	0	0	2,624
331.3	Mains and Accessories - Taylor Mill - Distribution	4	22,542	7,380	0	10,399	0	0	0	4,763
333.1	Services	9	566,612	0	0	0	566,612	0	0	0
333.2	Services - Taylor Mill	9	9,750	0	0	0	9,750	0	0	0
334.1	Meters	8	201,060	0	0	0	201,060	0	0	0
334.2	Meters	8	262	0	0	0	262	0	0	0
335.1	Fire Hydrants	7	160,683	0	0	0	0	0	0	160,683
335.3	Fire Hydrants - Taylor Mill	7	4,167	0	0	0	0	0	0	4,167
339.1	Miscellaneous Equipment	14	323,661	108,718	45,410	47,125	23,983	25,148	39,746	33,531
339.2	Miscellaneous Equipment	14	942	317	132	137	70	73	116	98
340.1	Office Furniture and Equipment	14	223,044	74,920	31,293	32,475	16,528	17,330	27,390	23,107
340.2	Office Furniture and Equipment	14	1,044	351	146	152	77	81	128	108
341.1	Transportation Equipment	14	241,904	81,256	33,939	35,221	17,925	18,796	29,706	25,061
341.2	Transportation Equipment	14	-	0	0	0	0	0	0	0
342.1	Stores Equipment	14	296	100	42	43	22	23	36	31
343.1	Tools, Shop and Garage Equipment	14	20,017	6,724	2,808	2,915	1,483	1,555	2,458	2,074
344.1	Laboratory Equipment	2	11,177	6,943	4,191	0	0	0	0	42
345.1	Power Operated Equipment	14	53,122	17,844	7,453	7,735	3,936	4,128	6,523	5,503
346.1	Communication Equipment	14	8,694	2,920	1,220	1,266	644	676	1,068	901
346.2	Communication Equipment	14	-	0	0	0	0	0	0	0
347.1	Miscellaneous Equipment	14	534	180	75	78	40	42	66	55
Total Depreciation Expense			8,023,443	3,378,883	1,647,418	914,593	300,564	680,427	164,467	937,091

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO COST FUNCTION

			Base	Max Day	Max Hour	Meters	Services	Billing & Collecting	Fire Protection
Amort-Other UP	18	201,120	88,030	44,588	19,971	11,665	13,234	463	23,169
Debt Service	18	17,314,762	7,578,671	3,838,683	1,719,356	1,004,256	1,139,311	39,824	1,994,661
Debt Service Coverage	18	3,462,952	1,515,734	767,737	343,871	200,851	227,862	7,965	398,932
Total Debt Service Requirements		<u>20,777,714</u>	<u>9,094,406</u>	<u>4,606,419</u>	<u>2,063,227</u>	<u>1,205,107</u>	<u>1,367,174</u>	<u>47,789</u>	<u>2,393,593</u>
Taxes Other Than Income									
Utility Reg Assessment Fee	19	63,774	27,946	10,886	6,888	3,737	4,126	3,820	6,371
Employment Taxes	16	600,167	207,838	91,045	80,362	66,799	32,229	66,799	55,095
Total Taxes, Other Than Income		<u>663,941</u>	<u>235,784</u>	<u>101,932</u>	<u>87,250</u>	<u>70,536</u>	<u>36,355</u>	<u>70,619</u>	<u>61,466</u>
Total Cost of Service		<u>53,481,400</u>	<u>23,440,487</u>	<u>9,139,696</u>	<u>5,773,970</u>	<u>3,132,102</u>	<u>3,461,287</u>	<u>3,190,326</u>	<u>5,343,532</u>
Less: Other Water Revenues									
Penalties	19	765,149	335,288	130,611	82,636	44,838	49,505	45,832	76,438
Turn On Fees	8	309,380	0	0	0	309,380	0	0	0
Rent	19	540,702	236,935	92,298	58,396	31,685	34,983	32,388	54,016
Lab Test Fees	2	34,855	21,652	13,071	0	0	0	0	132
Material Sold	14	87,023	29,231	12,209	12,671	6,448	6,762	10,686	9,016
Subdivision Revenue	18	1,803,434	789,363	399,821	179,081	104,599	118,666	4,148	207,756
Boone Florence Settlement	19	438,584	192,188	74,866	47,367	25,701	28,376	26,271	43,815
Bulk Sales	19	88,960	38,982	15,185	9,608	5,213	5,756	5,329	8,887
Interest Earnings	19	638,601	279,835	109,009	68,969	37,422	41,317	38,252	63,796
Miscellaneous Revenue	19	158,619	69,507	27,076	17,131	9,295	10,263	9,501	15,846
Total Other Water Revenues		<u>4,865,306</u>	<u>1,992,981</u>	<u>874,147</u>	<u>475,858</u>	<u>574,582</u>	<u>295,628</u>	<u>172,408</u>	<u>479,702</u>
Total Cost of Service Related to Sales of Water		<u>48,616,094</u>	<u>21,447,505</u>	<u>8,265,549</u>	<u>5,298,112</u>	<u>2,557,521</u>	<u>3,165,659</u>	<u>3,017,918</u>	<u>4,863,830</u>
Reallocation of Fire Protection	20	0	0	0	0	4,863,830	0	0	(4,863,830)
Total		<u>\$ 48,616,094</u>	<u>\$ 21,447,505</u>	<u>\$ 8,265,549</u>	<u>\$ 5,298,112</u>	<u>\$ 7,421,351</u>	<u>\$ 3,165,659</u>	<u>\$ 3,017,918</u>	<u>\$ -</u>

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO COST FUNCTION

Base	Max Day	Max Hour	Meters	Services	Billing & Collecting	Fire Protection
10,936,130						
1.96						

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO COST FUNCTION

		Base	Max Day	Max Hour	Meters	Services	Billing & Collecting	Fire Protection
RATE BASE								
Organization	17	3,323	1,423	650	487	93	224	5 441
Land - Intake	2	29,200	18,139	10,950	0	0	0	0 111
Land - Treatment Plant	2	365,166	226,841	136,937	0	0	0	0 1,388
Land - Pump Station and Transmission	3	190,530	101,591	61,294	0	0	0	0 27,646
Land - CC	2	2,596,225	1,612,775	973,584	0	0	0	0 9,866
Power and Pumping Structures - Intake	2	12,353,321	7,673,883	4,632,495	0	0	0	0 46,943
Water Treatment Plant	2	31,255,874	19,416,149	11,720,953	0	0	0	0 118,772
Pumping Structures	3	5,017,888	2,675,538	1,614,255	0	0	0	0 728,096
Office Buildings	2	8,688,923	5,397,559	3,258,346	0	0	0	0 33,018
Other Structures	6	25,914	9,793	2,042	9,023	0	0	0 5,056
Structures - Water Treatment	6	4,081,594	1,542,434	321,630	1,421,211	0	0	0 796,319
Lake, River and Other Intakes	2	594,025	369,008	222,759	0	0	0	0 2,257
Supply Mains	2	2,335,616	1,450,884	875,856	0	0	0	0 8,875
Power Generation Equipment	3	1,387,331	739,725	446,305	0	0	0	0 201,302
Pumping Equipment	3	2,518,915	1,343,086	810,335	0	0	0	0 365,495
Pumping Equipment	3	307,663	164,046	98,975	0	0	0	0 44,642
Pumping Equipment	3	2,356,264	1,256,360	758,010	0	0	0	0 341,894
Purification System	2	7,362,920	4,573,846	2,761,095	0	0	0	0 27,979
Purification System - Equipment	2	37,073	23,030	13,903	0	0	0	0 141
Distribution Reservoirs and Standpipes	5	6,060,940	1,816,464	0	2,558,929	0	0	0 1,685,548
Distribution Reservoirs and Standpipes - Taylor Mill	5	52,112	15,618	0	22,002	0	0	0 14,492
Mains and Accessories - Transmission	3	48,581,515	25,903,664	15,628,673	0	0	0	0 7,049,178
Mains and Accessories - Distribution	4	60,565,901	19,829,276	0	27,939,050	0	0	0 12,797,575
Mains and Accessories - Transmission	3	2,484,295	1,324,626	799,198	0	0	0	0 360,471
Mains and Accessories - Distribution	4	3,097,136	1,014,002	0	1,428,709	0	0	0 654,425
Mains and Accessories - Taylor Mill - Transmission	3	972,831	518,714	312,960	0	0	0	0 141,158
Mains and Accessories - Taylor Mill - Distribution	4	1,212,815	397,076	0	559,472	0	0	0 256,268
Services	9	15,233,887	0	0	0	0	15,233,887	0 0
Services - Taylor Mill	9	333,938	0	0	0	0	333,938	0 0
Meters	8	6,311,872	0	0	0	6,311,872	0	0 0
Meters	8	2,379	0	0	0	2,379	0	0 0
Fire Hydrants	7	4,929,344	0	0	0	0	0	0 4,929,344
Fire Hydrants - Taylor Mill	7	130,417	0	0	0	0	0	0 130,417
Miscellaneous Equipment	14	760,860	255,573	106,749	110,781	56,380	59,119	93,434 78,825
Miscellaneous Equipment	14	1,285	432	180	187	95	100	158 133
Office Furniture and Equipment	14	1,239,689	416,411	173,928	180,499	91,861	96,324	152,234 128,432
Office Furniture and Equipment	14	9,263	3,111	1,300	1,349	686	720	1,137 960
Transportation Equipment	14	529,746	177,942	74,323	77,131	39,254	41,161	65,053 54,882
Transportation Equipment	14	-	0	0	0	0	0	0 0

NORTHERN KENTUCKY WATER DISTRICT

COST OF SERVICE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009, ALLOCATED TO COST FUNCTION

		Base	Max Day	Max Hour	Meters	Services	Billing & Collecting	Fire Protection	
Stores Equipment	14	444	149	62	65	33	35	55	46
Tools, Shop and Garage Equipment	14	117,250	39,384	16,450	17,072	8,688	9,110	14,398	12,147
Laboratory Equipment	2	42,514	26,410	15,943	0	0	0	0	162
Power Operated Equipment	14	204,360	68,645	28,672	29,755	15,143	15,879	25,095	21,172
Communication Equipment	14	66,884	22,466	9,384	9,738	4,956	5,197	8,213	6,929
Communication Equipment	14	-	0	0	0	0	0	0	0
Miscellaneous Equipment	14	4,455	1,496	625	649	330	346	547	462
Total Utility Plant in Service		<u>234,453,899</u>	<u>100,427,570</u>	<u>45,888,821</u>	<u>34,366,108</u>	<u>6,531,770</u>	<u>15,796,039</u>	<u>360,329</u>	<u>31,083,263</u>
Construction Work In Progress									
Mains and Accessories - 10" and larger	3	6,754,778	3,601,648	2,173,012	0	0	0	0	980,118
Mains and Accessories - Less than 10"	4	8,242,334	2,698,540	0	3,802,189	0	0	0	1,741,605
Pumps	3	2,307,423	1,230,318	742,298	0	0	0	0	334,807
Water Treatment	2	13,240,809	8,225,191	4,965,303	0	0	0	0	50,315
Storage	5	27,319	8,188	0	11,534	0	0	0	7,597
Metering	8	7,695,585	0	0	0	7,695,585	0	0	0
General	14	111,525	37,461	15,647	16,238	8,264	8,666	13,695	11,554
Total Construction Work in Progress		<u>38,379,774</u>	<u>15,801,345</u>	<u>7,896,260</u>	<u>3,829,961</u>	<u>7,703,849</u>	<u>8,666</u>	<u>13,695</u>	<u>3,125,997</u>
Contributions in Aid of Construction	4	(33,948,961)	(11,114,890)	0	(15,660,656)	0	0	0	(7,173,415)
Other Rate Base Items									
Add:									
Other Utility Plant Adjustments	17	3,464,111	1,483,679	677,927	507,839	96,649	233,481	5,196	459,341
Materials and Supplies	14	1,251,889	420,509	175,640	182,275	92,765	97,272	153,732	129,696
Prepayments	14	316,138	106,191	44,354	46,030	23,426	24,564	38,822	32,752
Prepayments - Tank Cleaning/Painting	5	2,002,184	600,055	0	845,322	0	0	0	556,807
Unamortized Debt Discount and Expense	17	3,356,586	1,437,626	656,884	492,076	93,649	226,234	5,035	445,083
Deferred Credits	17	2,887,791	1,236,841	565,141	423,350	80,569	194,637	4,332	382,921
Regulatory Deferrals	19	46,124	20,212	7,873	4,981	2,703	2,984	2,763	4,608
Total Other Rate Base Elements		<u>13,324,824</u>	<u>5,305,112</u>	<u>2,127,819</u>	<u>2,501,873</u>	<u>389,760</u>	<u>779,172</u>	<u>209,879</u>	<u>2,011,208</u>
Total Original Cost Measure of Value		<u>\$ 252,209,536</u>	<u>\$ 110,419,138</u>	<u>\$ 55,912,900</u>	<u>#####</u>	<u>\$ 14,625,380</u>	<u>\$ 16,583,876</u>	<u>\$ 583,904</u>	<u>\$29,047,053</u>

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 1. ALLOCATION OF COSTS WHICH VARY WITH THE AMOUNT OF WATER CONSUMED.

Factors are based on the pro forma test year average daily consumption for each customer classification.

Customer Classification <u>(1)</u>	Average Daily Consumption, CCF <u>(2)</u>	Allocation Factor <u>(3)</u>
Residential	15,760	0.5229
Commercial/Multi-Family	7,857	0.2606
Industrial	3,107	0.1031
Other Public Authority	1,761	0.0584
Wholesale Customers	1,477	0.0490
Private Fire Protection	0	0.0000
Fire Protection	182	0.0060
Total	<u>30,144</u>	<u>1.0000</u>

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the factors for average daily consumption (Factor 1) and the factors derived from maximum day extra capacity demand for each customer classification, as follows:

Customer Classification <u>(1)</u>	Average Daily Consumption		Maximum Day Extra Capacity		Allocation Factor <u>(6)=(3)+(5)</u>
	Allocation Factor 1 <u>(2)</u>	Weighted Factor <u>(3)=(2)x</u> 0.6250	Allocation Factor <u>(4)</u>	Weighted Factor <u>(5)=(4)x</u> 0.3750	
Residential	0.5229	0.3268	0.5858	0.2196	0.5464
Commercial/Multi-Family	0.2606	0.1629	0.2373	0.0890	0.2519
Industrial	0.1031	0.0644	0.0866	0.0325	0.0969
Other Public Authority	0.0584	0.0365	0.0491	0.0184	0.0549
Wholesale Customers	0.0490	0.0306	0.0412	0.0155	0.0461
Private Fire Protection	0.0000	0.0000			0.0000
Fire Protection	0.0060	0.0038			0.0038
Total	<u>1.0000</u>	<u>0.6250</u>	<u>1.0000</u>	<u>0.3750</u>	<u>1.0000</u>

The derivation of the maximum day extra capacity factors in column 4 and the basis for the column 3 and 5 weightings are presented on the following page.

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY EXTRA CAPACITY FUNCTIONS, cont.

Customer Classification	Average Daily Consumption, CCF	Maximum Day Extra Capacity		
		Factor*	Rate of Flow, CCF Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	15,760	0.80	12,608	0.5858
Commercial/Multi-Family	7,857	0.65	5,107	0.2373
Industrial	3,107	0.60	1,864	0.0866
Other Public Authority	1,761	0.60	1,057	0.0491
Wholesale Customers	1,477	0.60	886	0.0412
Total	<u>29,962</u>		<u>21,522</u>	<u>1.0000</u>

The weighting of the factors is based on the maximum day ratio of 1.60, based on a review of maximum day ratios experienced during the period 1998 through 2009 (see Schedule D).

	Maximum Day Ratio	Weight
Average Day	1.00	0.6250
Maximum Day Extra Capacity	<u>0.60</u>	<u>0.3750</u>
Total	<u>1.60</u>	<u>1.0000</u>

* Ratio of maximum day to average day minus 1.0.

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Daily Consumption		Maximum Day Extra Capacity		Fire Protection		Allocation Factor
	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)=(2) X 0.5364	(4)	(5)=(4) X 0.3217	(6)	(7)=(6) X 0.1419	(8)=(3)+(5)+(7)
Residential	0.5229	0.2805	0.5858	0.1884			0.4689
Commercial	0.2606	0.1398	0.2373	0.0763			0.2161
Industrial	0.1031	0.0553	0.0866	0.0279			0.0832
Other Public Authority	0.0584	0.0313	0.0491	0.0158			0.0471
Sales for Resale	0.0490	0.0263	0.0412	0.0133			0.0396
Fire Protection	0.0060	0.0032			1.0000	0.1419	0.1451
Total	1.0000	0.5364	1.0000	0.3217	1.0000	0.1419	1.0000

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		Allocation Factor
	CCF	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)	(4)=(3) X	(5)	(6)=(5) X	(7)	(8)=(7) X	(9)=(4)+(6)+(8)
			0.3295		0.4613		0.2092	
Residential	656.7	0.5497	0.1812	0.6543	0.3018			0.4830
Commercial/Multi-Family	327.4	0.2741	0.0903	0.2446	0.1128			0.2031
Industrial	129.5	0.1084	0.0357	0.0645	0.0298			0.0655
Other Public Authority	73.4	0.0614	0.0202	0.0366	0.0169			0.0371
Wholesale Customers	0.0	0.0000	0.0000	0.0000	0.0000			0.0000
Private Fire Protection	0.0	0.0000	0.0000			#REF!	#REF!	#REF!
Fire Protection	7.6	0.0064	0.0021			1.0000	0.2092	0.2113
Total	1,194.6	1.0000	0.3295	1.0000	0.4613	#REF!	#REF!	#REF!

The maximum hour extra capacity factors in column 5 are determined on the next page.

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum day ratio of 1.60 and the average daily system sendout for 2009 of 27.216 MGD. The system demand for fire protection is 12,000 Gallons per minute for 10 hours.

	Ratio	Rate of Flow, (GPD)	Weight
Average Day	1.00	27,216,000	0.5364
Maximum Day Extra Capacity	0.60	16,329,600	0.3217
Subtotal	1.60	43,545,600	0.8581
Fire Protection		7,200,000	0.1419
Total		50,745,600	1.0000

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum hour ratio of 2.4 and the average daily system sendout for 2009 of 27.216 MGD. The system demand for fire protection is 12,000 gallons per minute.

	Ratio	Rate of Flow, (GPM)	Weight
Average Hour	1.00	18,900	0.3295
Maximum Hour Extra Capacity	1.40	26,460	0.4613
Subtotal	2.40	45,360	0.7908
Fire Protection		12,000	0.2092
Total		57,360	1.0000

The maximum hour extra capacity factors in column 5 of the previous page are determined as follows:

Customer Classification (1)	Average Hourly Consumption CCF (2)	Maximum Hour Extra Capacity		
		Factor* (3)	CCF Per Hour (4)=(2)x(3)	Allocation Factor (5)
Residential	656.7	2.0	1,313.4	0.6543
Commercial/Multi-Family	327.4	1.5	491.1	0.2446
Industrial	129.5	1.0	129.5	0.0645
Other Public Authority	73.4	1.0	73.4	0.0366
Wholesale Customers	0.0	1.0	0.0	0.0000
Total	1,187.0		2,007.4	1.0000

* Ratio of Maximum Hour To Average Hour Minus 1.0.

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES.

Factors are based on the weighting of the average hourly consumption, the maximum hour extra capacity demand, and the fire protection demand for each customer classification.

Customer Classification	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		Allocation Factor
	CCF	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	
(1)	(2)	(3)	(4)=(3) X 0.3015	(5)	(6)=(5) X 0.4222	(7)	(8)=(7) X 0.2763	(9)=(4)+(6)+(8)
Residential	656.7	0.5228	0.1576	0.6348	0.2681			0.4257
Commercial/Multi-Family	327.4	0.2606	0.0786	0.2374	0.1002			0.1788
Industrial	129.5	0.1031	0.0311	0.0626	0.0264			0.0575
Other Public Authority	73.4	0.0584	0.0176	0.0355	0.0150			0.0326
Wholesale Customers	61.5	0.0490	0.0148	0.0297	0.0125			0.0273
Fire Protection	7.6	0.0061	0.0018			1.0000	0.2763	0.2781
Total	1,256.1	1.0000	0.3015	1.0000	0.4222	1.0000	0.2763	1.0000

The weighting of the factors is based on the ratio of the capacity required for a 3 hour demand of fire flow, as related to total storage capacity. The calculation is shown on the following page.

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES, cont.

The weighting of the factors is based on the ratio of the capacity required for a 10 hour demand of fire flow, as related to total storage capacity.

$$\text{Fire Protection Weight} = \frac{12,000 \text{ GPM} \times 60 \text{ Min.} \times 10 \text{ Hrs.}}{26,054,000 \text{ Gallons}} = 0.2763$$

$$\text{General Service Weight} = 1.0000 - 0.2763 = 0.7237$$

The weighting of the average hourly consumption and maximum hour extra demand for general service is based on the maximum hour ratio, as follows:

	Maximum Hour Ratio	Percent	Weight
Average Hour	1.00	41.67	0.3015
Extra Capacity Maximum Hour	1.40	58.33	0.4222
Total	2.40	100.00	0.7237

Customer Classification (1)	Average Hourly Consumption CCF (2)	Maximum Hour Extra Capacity		
		Factor* (3)	CCF Per Hour (4)=(2)x(3)	Allocation Factor (5)
Residential	656.7	2.0	1,313.4	0.6348
Commercial/Multi-Family	327.4	1.5	491.1	0.2374
Industrial	129.5	1.0	129.5	0.0626
Other Public Authority	73.4	1.0	73.4	0.0355
Wholesale Customers	61.5	1.0	61.5	0.0297
Total	1,248.5		2,068.9	1.0000

* Ratio of Maximum Hour To Average Hour Minus 1.0.

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH TRANSMISSION AND DISTRIBUTION MAINS.

Factors are based on the weighting of the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 4, for each customer classification, as follows:

Customer Classification	Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		Allocation Factor
	Allocation Factor 3	Weighted Factor	Allocation Factor 4	Weighted Factor	
(1)	(2)	(3)=(2)X 0.2451	(4)	(5)=(4)X 0.7549	(6)=(3)+(5)
Residential	0.4689	0.1149	0.4830	0.3647	0.4796
Commercial/Multi-Family	0.2161	0.0530	0.2031	0.1533	0.2063
Industrial	0.0832	0.0204	0.0655	0.0494	0.0698
Other Public Authority	0.0471	0.0115	0.0371	0.0280	0.0395
Wholesale Customers	0.0396	0.0097	0.0000	0.0000	0.0097
Fire Protection	0.1451	0.0356	0.2113	0.1595	0.1951
Total	<u>1.0000</u>	<u>0.2451</u>	<u>1.0000</u>	<u>0.7549</u>	<u>1.0000</u>

The weighting of the factors is based on the total footage of mains, designated as either transmission mains or distribution mains, as follows:

	Total Footage of Mains	Weight
Mains 10" and Larger	1,614,189	0.2451
Mains Smaller than 10"	<u>4,971,339</u>	<u>0.7549</u>
Total	<u>6,585,528</u>	1.0000

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH FIRE HYDRANTS.

Costs are assigned directly to Public Fire Protection.

Customer Classification (1)	Allocation Factor (3)
Fire Protection	1.0000
Total	1.0000

FACTOR 8. ALLOCATION OF COSTS ASSOCIATED WITH METERS.

Factors are based on the relative cost of meters by size and customer classification, as developed on the following page and summarized below.

Customer Classification (1)	5/8" Dollar Equivalents (2)	Allocation Factor (3)
Residential	79,441	0.7768
Commercial/Multi-Family	18,268	0.1786
Industrial	1,407	0.0138
Other Public Authority	3,069	0.0300
Wholesale Customers	86	0.0008
Total	102,271	1.0000

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 9. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the relative cost of services by size and customer classification, as developed on the following page and summarized below.

<u>Customer Classification</u> (1)	<u>3/4" Dollar Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	79,142	0.8383
Commercial/Multi-Family	12,770	0.1353
Industrial	634	0.0067
Other Public Authority	1,831	0.0194
Wholesale Customers	<u>28</u>	<u>0.0003</u>
Total	<u><u>94,405</u></u>	<u><u>1.0000</u></u>

NORTHERN KENTUCKY WATER DISTRICT

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

Meter Size	5/8" Dollar Equivalent	Residential		Commercial/Multi-Family		Industrial		Other Public Authority		Wholesale Customers		Total	
		Number of Meters	Weighting (4)=(2)X(3)	Number of Meters	Weighting (6)=(2)X(5)	Number of Meters	Weighting (8)=(2)X(7)	Number of Meters	Weighting (10)=(2)X(9)	Number of Meters	Weighting (12)=(2)X(11)	Number of Meters	Weighting (14)
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(11)	(12)=(2)X(11)	(13)	(14)
5/8	1.0	78,362	78,362	3,708	3,708	16	16	181	181		0	82,267	82,267
3/4	1.1		0		0		0		0		0	0	0
1	1.8	538	968	1,018	1,832	9	16	66	119		0	1,631	2,935
1-1/2	3.7	24	89	728	2,694	13	48	42	155		0	807	2,986
2	4.3	5	22	676	2,907	45	194	148	636		0	874	3,759
3	10.6		0	98	1,039	16	170	57	604		0	171	1,813
4	14.9		0	72	1,073	13	194	35	522	2	30	122	1,819
6	27.9		0	87	2,427	9	251	14	391	2	56	112	3,125
8	57.5		0	44	2,530	5	288	5	288		0	54	3,106
10	57.5		0	1	58	4	230	3	173			8	461
Total		<u>78,929</u>	<u>79,441</u>	<u>6,432</u>	<u>18,268</u>	<u>130</u>	<u>1,407</u>	<u>551</u>	<u>3,069</u>	<u>4</u>	<u>86</u>	<u>86,046</u>	<u>102,271</u>

NORTHERN KENTUCKY WATER DISTRICT

BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size	3/4" Dollar Equivalent	Residential		Commercial/Multi-Family		Industrial		Other Public Authority		Wholesale Customers		Total	
		Number of Services	Weighting (4)=(2)X(3)	Number of Services	Weighting (6)=(2)X(5)	Number of Services	Weighting (8)=(2)X(7)	Number of Services	Weighting (10)=(2)X(9)	Number of Services	Weighting (12)=(2)X(11)	Number of Services	Weighting (16)
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(7)	(8)=(2)X(7)	(9)	(10)=(2)X(9)	(11)	(12)=(2)X(11)	(15)	(16)
3/4	1.00	78,362	78,362	3,708	3,708	16	16	181	181	0	0	82,267	82,267
1	1.25	538	670	1,018	1,268	9	11	66	82	0	0	1,631	2,031
1-1/2	3.62	24	87	728	2,639	13	47	42	152	0	0	807	2,925
2	4.51	5	23	676	3,047	45	203	148	667	0	0	874	3,940
3	5.54	0	0	98	543	16	89	57	316	0	0	171	948
4	6.57	0	0	72	473	13	85	35	230	2	13	122	801
6	7.51	0	0	87	654	9	68	14	105	2	15	112	842
8	9.58	0	0	44	421	5	48	5	48	0	0	54	517
10	16.72	0	0	1	17	4	67	3	50	0	0	8	134
Total		<u>78,929</u>	<u>79,142</u>	<u>6,432</u>	<u>12,770</u>	<u>130</u>	<u>634</u>	<u>551</u>	<u>1,831</u>	<u>4</u>	<u>28</u>	<u>86,046</u>	<u>94,405</u>

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 10. NOT USED IN THE ALLOCATION.

FACTOR 11. ALLOCATION OF TRANSMISSION AND DISTRIBUTION MAINTENANCE SUPERVISION AND ENGINEERING, STRUCTURES AND IMPROVEMENTS, AND OTHER EXPENSES.

Factors are based on transmission and distribution maintenance expenses other than those being allocated, as follows:

<u>Customer Classification</u> (1)	<u>Transmission & Distribution Maintenance Expenses</u> (2)	<u>Allocation Factor</u> (3)
Residential	\$ 1,800,231	0.5190
Commercial/Multi-Family	625,726	0.1805
Industrial	185,085	0.0534
Other Public Authority	114,953	0.0332
Wholesale Customers	32,492	0.0094
Fire Protection	<u>708,957</u>	<u>0.2045</u>
Total	<u><u>\$3,467,445</u></u>	<u><u>1.0000</u></u>

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 12. ALLOCATION OF BILLING AND COLLECTING COSTS AND METER READING

Factors are based on the total number of customers.

<u>Customer Classification</u> (1)	<u>Total Customers</u> (2)	<u>Allocation Factor</u> (3)
Residential	78,929	0.91729
Commercial/Multi-Family	6,432	0.07475
Industrial	130	0.00151
Other Public Authority	551	0.00640
Wholesale Customers	4	0.00005
Fire Protection	<u>0</u>	<u>0.00000</u>
Total	<u><u>86,046</u></u>	<u><u>1.0000</u></u>

FACTOR 13. NOT USED IN THE ALLOCATION

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 14. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES

Factors are based on the allocation of all other operation and maintenance expenses excluding purchased water, power, chemicals and waste disposal.

<u>Customer Classification</u> (1)	<u>Operation & Maintenance Expenses</u> (2)	<u>Allocation Factor</u> (3)
Residential	\$6,853,255	0.5916
Commercial/Multi-Family	2,212,561	0.1910
Industrial	678,250	0.0585
Other Public Authority	425,121	0.0367
Wholesale Customers	214,943	0.0186
Fire Protection	<u>1,200,415</u>	<u>0.1036</u>
Total	<u><u>\$11,584,545</u></u>	<u><u>1.0000</u></u>

FACTOR 15. NOT USED IN THE ALLOCATION

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 16. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS.

Factors are based on the allocation of direct labor expense.

Customer Classification (1)	Direct Labor Expense (2)	Allocation Factor (3)
Residential	\$5,035,244	0.5946
Commercial/Multi-Family	1,661,814	0.1962
Industrial	510,067	0.0602
Other Public Authority	322,135	0.0380
Wholesale Customers	162,251	0.0192
Fire Protection	776,994	0.0918
Total	\$8,468,504	1.0000

FACTOR 17. ALLOCATION OF ORGANIZATION, FRANCHISES AND CONSENTS, MISCELLANEOUS INTANGIBLE PLANT AND OTHER RATE BASE ELEMENTS.

Factors are based on the allocation of the original cost less depreciation other than those items being allocated, as follows:

Customer Classification (1)	Original Cost Less Depreciation (2)	Allocation Factor (3)
Residential	\$121,399,629	0.5178
Commercial/Multi-Family	49,242,043	0.2100
Industrial	16,922,798	0.0722
Other Public Authority	9,978,129	0.0426
Wholesale Customers	5,825,156	0.0248
Fire Protection	31,082,822	0.1326
Total	\$234,450,576	1.0000

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 18. ALLOCATION OF DEBT SERVICE AND ACQUISITION ADJUSTMENT

Factors are based on the allocation of the original cost measure of value rate base as shown on the following pages and summarized below.

Customer Classification	Original Cost Measure of Value	Allocation Factor
(1)	(2)	(3)
Residential	\$133,357,371	0.5287
Commercial/Multi-Family	53,421,826	0.2118
Industrial	18,301,543	0.0726
Other Public Authority	10,952,474	0.0434
Wholesale Customers	7,129,269	0.0283
Fire Protection	29,047,053	0.1152
Total	\$252,209,536	1.0000

FACTOR 19. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AND OTHER WATER REVENUES.

The factors are based on the allocation of the total cost of service, excluding those items being allocated.

Customer Classification	Total Cost of Service	Allocation Factor
(1)	(2)	(3)
Residential	\$29,594,028	0.5574
Commercial/Multi-Family	10,954,994	0.2063
Industrial	3,657,496	0.0689
Other Public Authority	2,210,873	0.0416
Wholesale Customers	1,374,755	0.0259
Fire Protection	5,301,743	0.0999
Total	\$53,093,889	1.0000

NORTHERN KENTUCKY WATER DISTRICT

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 20. REALLOCATION OF FIRE PROTECTION

Factors are based on the relative cost of meters by size and customer classification.

<u>Customer Classification</u> (1)	<u>5/8" Dollar Equivalents</u> (2)	<u>Allocation Factor</u> (3)
Residential	79,441	0.7774
Commercial/Multi-Family	18,268	0.1788
Industrial	1,407	0.0138
Other Public Authority	3,069	0.0300
Wholesale Customers	<u>0</u>	<u>0.0000</u>
Total	<u><u>102,185</u></u>	<u><u>1.0000</u></u>

NORTHERN KENTUCKY WATER DISTRICT

SUMMARY OF AVERAGE DAILY SEND OUT AND MAXIMUM DAILY USAGE
FOR THE YEARS 1998-2009

Year (1)	Average Daily Send out (MGD) (2)	Maximum Daily Use		
		MGD (3)	Ratio to Average (4)	Highest Use Day (5)
1998	32.1	46.6	1.45	9/13/1998
1999	34.7	51.2	1.48	7/26/1999
2000	33.0	48.5	1.47	6/13/2000
2001	33.3	47.1	1.41	6/28/2001
2002	36.4	57.3	1.57	9/13/2002
2003	26.8	38.4	1.43	8/2/2002
2004	27.9	36.9	1.32	7/6/2004
2005	29.2	44.5	1.52	8/4/2005
2006	27.7	40.3	1.45	8/23/2006
2007	31.1	48.8	1.57	9/3/2007
2008	29.0	42.0	1.45	8/4/2008
2009	27.2	36.2	1.33	9/2/2009

NORTHERN KENTUCKY WATER DISTRICT

CALCULATION OF CUSTOMER CHARGE

		<u>Monthly</u>	<u>Quarterly</u>
(1) Cost Related to Meters	\$ 7,421,351		
(2) Meter Equivalents X 12	1,227,252		
(3) Cost per Bill - Meter related		\$ 6.05	18.15
(4) Cost Related to Services	\$ 3,165,659		
(5) Service Equivalents X 12	1,132,860		
(6) Cost per Bill - Services related		\$ 2.79	8.37
(7) Cost Related to Billing and Collecting	\$ 3,017,918		
(8) Number of Bills	366,212		
(9) Cost per Bill - Billing and Collecting		<u>\$ 8.24</u>	<u>8.24</u>
(10) Total Customer Charge (3)+(6)+(9)		\$ 17.08	\$ 34.76

NORTHERN KENTUCKY WATER DISTRICT

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES - STEP 2
FOR THE TEST YEAR ENDED DECEMBER 31, 2009

Customer Classification <u>(1)</u>	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount (Schedule B)	Percent	Amount	Percent	Amount	Percent	Amount	Percent Increase
	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>	<u>(9)</u>
Residential	\$ 30,854,763	63.5%	\$ 24,719,009	61.3%	\$ 30,846,193	63.5%	\$ 6,127,184	24.8%
Commercial/Multi-Family	10,900,376	22.4%	9,332,035	23.1%	10,886,422	22.4%	1,554,387	16.7%
Industrial	3,427,144	7.0%	3,160,060	7.8%	3,426,222	7.0%	266,163	8.4%
Public Authority	2,171,180	4.5%	1,948,183	4.8%	2,191,212	4.5%	243,029	12.5%
Wholesale	<u>1,262,631</u>	<u>2.6%</u>	<u>1,200,418</u>	<u>3.0%</u>	<u>1,265,110</u>	<u>2.6%</u>	<u>64,691</u>	<u>5.4%</u>
Total Sales	48,616,094	<u>100.0%</u>	40,359,705	<u>100.0%</u>	48,615,158	<u>100.0%</u>	8,255,454	20.5%
Other Revenues	<u>4,865,306</u>		<u>4,834,006</u>		<u>4,865,306</u>		<u>31,301</u>	
Total	<u>\$ 53,481,400</u>		<u>45,193,710</u>		<u>\$ 53,480,464</u>		<u>\$ 8,286,754</u>	18.3%

Q18. Assume that NKWD has failed to properly calculate its revenue requirement and that its requested rates will produce approximately 30 percent below the correct revenue requirement. State NKWD's position on whether this would require NKWD to amend its Application to request rates that produce the correct revenue requirement and if it should be required to give a revised customer notification of the increased rates.

A18 NKWD filed its application in good faith based on the cost of service study and resulting rates and is not aware of an incorrect calculation. The District is unable to determine the 30% under calculation of the revenue requirement as described and thus cannot respond to this issue. The District properly advertised the proposed rate increase as required to inform and notify the customers. The District's position on any advertising would be as always, is based on the requirements of the Commission. The notice provided by the District is in compliance with the regulation in 807 KAR 5:001, which states that the rates approved by the Commission may differ from the rates proposed by the district: "e) A statement that the rates contained in this notice are the rates proposed by (name of utility); however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice." Such notice alerts the customers to possible changes in the proposed rates and anticipates that the Commission may determine after a review of the record that the proposed rates are inadequate or incorrectly calculated. There are no parameters for disparity in the amount of the under or over statement of the proposed rates. Thus, the regulation directly allows rates to differ from those proposed without any additional notice; otherwise any change in any rate proposed by the district would possibly cause a revised notice to be published, leading to multiple notices during the course of the rate review.

Q19. Refer to NKWD's response to Commission Staff's Second Information Request, Item 27. State whether the "Business Ethics and Conduct" code applies to NKWD's commissioners. If no, explain why not.

A19. No. The policies and procedures for the District apply to full-time regular employees. The Commissioners set the policy and direction of District but do not participate in the day to day operation of the District.