

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

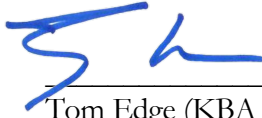
**In the Matter of:**

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

**RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Comes now the Northern Kentucky Water District ("NKWD") and submits its responses to the Commission Staff's Second Request for Information dated August 18, 2022.

RESPECTFULLY SUBMITTED:



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Tom Edge (KBA #95534)  
General Counsel  
Manager of Legal, Compliance, and Regulatory Affairs  
Northern Kentucky Water District  
2835 Crescent Springs Rd.  
Erlanger, KY 41018  
Phone - 859-578-5457  
Fax - 859-426-2770  
Email: tedge@nkywater.org  
*Counsel for Northern Kentucky Water District*

**CERTIFICATE OF SERVICE**

In accordance with 807 KAR 5:001, Section 8, I certify that this document was submitted electronically to the Public Service Commission on September 2, 2022 and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.



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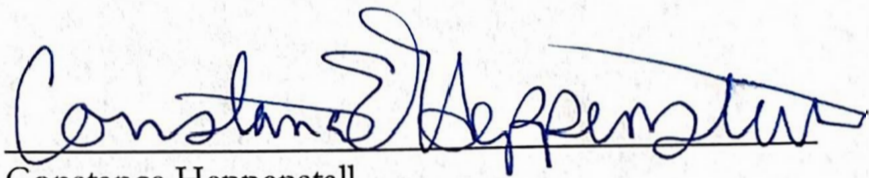
Tom Edge, Esq. (KBA #95534)



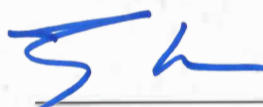
AFFIDAVIT OF CONSTANCE HEPPENSTALL

STATE OF KENTUCKY                )  
  )SS  
COUNTY OF KENTON                )

Comes now affiant, Constance Heppenstall, after being first sworn, deposes, and states that she is the Senior Project Manager with Gannet Fleming Valuation and Rate Consultants, LLC, and that the information contained in the Response to Question 8 is true and correct to the best of her knowledge and belief, except as to those matters that are based on information provided to her and, as to those, she believes that information to be true and correct.

  
Constance Heppenstall

This instrument was acknowledged, signed and declared by Constance Heppenstall to be her act and deed the 2ND day of September 2022.

  
\_\_\_\_\_  
Notary Public, State at Large  
Notary ID Number: KYNP17828  
My Commission Expires: December 21, 2024


**AFFIDAVIT OF STACEY KAMPSEN**

COMMONWEALTH OF KENTUCKY    )  
  )SS  
COUNTY OF KENTON                )

Comes now affiant, Stacey Kampsen after being first sworn, deposes, and states that she is the Finance Manager for the Northern Kentucky Water District, that she is authorized to submit these Responses on behalf of Northern Kentucky Water District, and that the information contained in the Responses is true and correct to the best of her knowledge and belief, except as to those matters that are based on information provided to her and, as to those, she believes that information to be true and correct.

  
\_\_\_\_\_  
Stacey Kampsen

This instrument was acknowledged, signed and declared by Stacey Kampsen to be her act and deed the 2nd day of September 2022.

  
\_\_\_\_\_  
Notary Public, Kentucky at Large  
Notary ID Number: KYNP17828  
My Commission Expires: December 21, 2024


**AFFIDAVIT OF AMY STOFFER**

COMMONWEALTH OF KENTUCKY )  
  )SS  
COUNTY OF KENTON                              )

Comes now affiant, Amy Stoffer after being first sworn, deposes, and states that she is the Vice President of Engineering, Production and Water Quality for the Northern Kentucky Water District, that she is authorized to submit these Responses on behalf of Northern Kentucky Water District, and that the information contained in the Responses is true and correct to the best of her knowledge and belief, except as to those matters that are based on information provided to her and, as to those, she believes that information to be true and correct.

  
\_\_\_\_\_  
Amy Stoffer

This instrument was acknowledged, signed and declared by Amy Stoffer to be her act and deed the 2nd day of September 2022.

  
\_\_\_\_\_  
Notary Public, Kentucky at Large  
Notary ID Number: KYNP17828  
My Commission Expires: December 21, 2024


**AFFIDAVIT OF BARRY MILLER**

COMMONWEALTH OF KENTUCKY    )  
  )SS  
COUNTY OF KENTON                                     )

Comes now affiant, Barry Miller after being first sworn, deposes, and states that he is the Manager for Distribution & Customer Service for the Northern Kentucky Water District, that he is authorized to submit these Responses on behalf of Northern Kentucky Water District, and that the information contained in the Responses is true and correct to the best of his knowledge and belief, except as to those matters that are based on information provided to him and, as to those, he believes that information to be true and correct.

*Barry Miller*  
\_\_\_\_\_  
Barry Miller

This instrument was acknowledged, signed and declared by Barry Miller to be his act and deed the 2nd day of September 2022.

  
\_\_\_\_\_  
Notary Public, Kentucky at Large  
Notary ID Number: KYNP17828  
My Commission Expires: December 21, 2024


AFFIDAVIT OF LINDSEY RECHTIN

COMMONWEALTH OF KENTUCKY     )  
   )SS  
COUNTY OF KENTON                     )

Comes now affiant, Lindsey Rechlin, after being first sworn, deposes, and states that she is the President and CEO for the Northern Kentucky Water District, that she is authorized to submit these Responses on behalf of Northern Kentucky Water District, and that the information contained in the Responses is true and correct to the best of her knowledge and belief, except as to those matters that are based on information provided to her and, as to those, she believes that information to be true and correct.

  
\_\_\_\_\_  
Lindsey Rechlin

This instrument was acknowledged, signed and declared by Lindsey Rechlin to be her act and deed the 2<sup>nd</sup> day of September 2022.

  
\_\_\_\_\_  
Notary Public, Kentucky at Large  
Notary ID Number: KYNP17828  
My Commission Expires: December 21, 2024

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.1. Refer to Application, paragraph 7. Provide the most current interest rates for the proposed financing.**

**A.1.** NKWD states that it is unknown what the interest rate will be until the sale of the bonds occurs. It is NKWD's understanding that current interest rates range from 2.50% to 4.50%. The estimated net interest cost for the bonds is currently 4.26%, which is the same rate used in the plan of financing for Exhibit A of the Application.



**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen / Amy Stoffer**

**Q.2. Refer to Application, paragraphs 21 and 23.**

**a. Explain why the cost of the sediment removal for the North Reservoir increased from \$2,819,605 to \$4,589,442.**

**b. Provide a schedule showing the amortization collected and recorded since Case No. 2018-002912 and the balance of the regulatory asset.**

**A.2. a.** NKWD states that it has made substantial progress and the North Reservoir Sediment Removal project is nearly complete. As such, NKWD would update its estimated costs to \$4,813,173.62.

In August 2018, the project was originally bid with the low bid of \$2,769,405 from HEPACO, LLC. Despite numerous extensions, HEPACO, LLC was unable to obtain the proper disposal permits.<sup>1</sup> The other 2 bidders from 2018 had bids of \$7,289,300 and \$9,579,410. Instead of accepting a bid for a substantially larger amount, NKWD determined there would be costs savings in addition to other benefits on the project by completing the sediment removal in house and contracting only for trucking and landfill services.

While bidding for trucking and landfill services, NKWD also bid the whole project again to confirm the costs savings. The low bid for a contractor to complete the whole project was \$5,702,475 with the low bid at an estimated \$5,562,000 plus engineering cost in project development of \$140,475. NKWD completing the project in house and contracting for trucking and landfill services ended up at an estimated total cost of \$4,813,173.62, a realized savings of \$889,301.38. Currently the project is nearly complete as illustrated in the before and after photographs below:

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<sup>1</sup> It should also be noted that the actual amount removed was 12% more than the amount of sediment estimated as a basis for bids in 2018.

Before	During Removal	Currently
 A photograph showing a reservoir with a concrete dam structure in the foreground. The water is calm, and the surrounding area is grassy.	 A photograph showing the reservoir during removal. A large black pipe is visible in the foreground, and the ground is excavated and uneven.	 A photograph showing the reservoir currently. The water is gone, and the area is filled with gravel and dirt. A red excavator is visible in the background.
 A photograph showing a reservoir with a concrete dam structure. The water is calm, and the surrounding area is grassy.	 A photograph showing the reservoir during removal. The ground is excavated and uneven, with a concrete structure visible.	 A photograph showing the reservoir currently. The area is filled with gravel and dirt, with a concrete structure visible.
 A photograph showing a reservoir with a concrete dam structure. The water is calm, and the surrounding area is grassy.	 A photograph showing the reservoir during removal. A large pile of gravel is visible in the foreground, and the ground is excavated.	 A photograph showing the reservoir currently. The area is filled with gravel and dirt, with a concrete structure visible.

b. NKWD has not recorded any amortization expense for the regulatory asset since the project is not complete. NKWD will begin amortizing the regulatory asset when the project is complete, and the reservoir is back in service.

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.3. Refer to Application, paragraphs 21 and 24. Explain the difference between the 10-year amortization period proposed and accepted in Case No. 2018-00291 and the 10-year amortization period proposed in this case.**

**A.3.** At the time of the 2018-00291 application filing, NKWD anticipated the reservoir cleaning project to be completed and in service no later than June 30, 2019. NKWD proposed to amortize the estimated amount of \$2,819,605 over 10 years beginning on or around June 30, 2019. Due to the circumstances described in NKWD's response to question 2 of this Data Request, the project was delayed and is currently nearing completion.

In the current case, NKWD proposes to amortize the estimated cost of \$4,589,442 over a 10-year period beginning from the completion of the sediment removal.

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.4. Refer to Application, Exhibit K – Pro Forma Financial Statements, page 3, Pro Forma Statement of Revenues, Expenses, and Changes in Net Position.**

**a. Confirm that rents from Water Property are not expected to increase or decrease in 2022.**

**b. Provide a detailed breakout of what comprises the surcharge revenue.**

**A.4. a.** NKWD confirms that the rents are not expected to materially change in 2022. As the rents are variable each year depending on customer needs, some variation is expected year over year.

**b.** NKWD submits the following:

Sub-District Surcharge Detail		
Title	2021 Annual Collections	Pro Forma Annual Collections
Sub-District B	\$ 47,157	\$ 47,157
Sub-District C	\$ 162,534	\$ 162,534
Sub-District D	\$ 61,413	\$ 61,413
Sub-District E	\$ 74,360	\$ 74,360
Sub-District F	\$ 17,330	\$ 17,330
Sub-District G	\$ 42,904	\$ 42,904
Sub-District H	\$ 43,026	\$ 43,026
Sub-District I	\$ 11,243	\$ 11,243
Sub-District K	\$ 8,363	\$ 8,363
Sub-District M	\$ 31,813	\$ 31,813
Sub-District R <sup>1</sup>	\$ 50,946	\$ -
Sub-District RF	\$ 8,789	\$ 8,789
Sub-District RL <sup>2</sup>	\$ 16,860	\$ -
<b>Total</b>	<b>\$ 576,738</b>	<b>\$ 508,932</b>

<sup>1</sup> Sub-District R was fully collected in January 2022

<sup>2</sup> Sub-District RL was fully collected in August 2021

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.5. Refer to Application, Exhibit K, page 4. Provide detailed calculations supporting the adjustments to operating and maintenance expenses, taxes other than income, and non-operating expenses.**

**A.5. NKWD submits the attached Exhibit 5-1 and Exhibit 5-2.**



## EXHIBIT 5-1

**Exhibit 5-1**  
**Northern Kentucky Water District**  
**Case No: 2022-00161**  
**Detailed Calculations Supporting Pro Forma Adjustments**

**Operating & Maintenance Expense Adjustments**

	Actual December 31, 2021	Pro Forma	Adjustment	
Salaries	9,658,704 <sup>1</sup>	12,078,331	2,419,627	Refer to Attached Exhibit 5-2
Less: Capitalized			(310,243)	Refer to NKWD's Response to Commission Staff's First Request for Information, Response No. 18, Exhibit 18-1
Employee Insurance	3,290,450	3,342,219	51,769	Refer to Attached Exhibit 5-2
Pension	2,395,866	3,100,440	704,574	Refer to Attached Exhibit 5-2
Chemical	2,819,593	3,751,917	932,324	Refer to NKWD's Response to Commission Staff's First Request for Information, Response No. 42, Exhibit 42-3
Contractual Svcs - Reservoir Cleaning	24,474	458,944	434,470	Refer to NKWD's Response to Commission Staff's First Request for Information, Response No. 42, Exhibit 42-4
Total O&M Adj			<u>4,232,521</u>	

<sup>1</sup>Actual December 31, 2021 Salaries are Net of Capitalized Wages

**Taxes Other Than Income Adjustments**

	Actual December 31, 2021	Pro Forma	Adjustment	
FICA	811,423	906,448	95,025	Refer to Attached Exhibit 5-2

**Non-Operating Adjustments**

	Adjustment
Amortization Expense	820,050 <sup>2</sup>
Interest Expense	96,169 <sup>3</sup>

<sup>2</sup>Pro Forma Amortization Expense is Bond Issuance Costs for the BAN 2021 refunding.  
Refer to NKWD's Application, Exhibit A1 - Financing Plan; Page 1; "Use of Funds"  
The amortization expense is calculated as follows:

Total Underwriter's Discount (2.000%)	546,700
Cost of Issuance	273,350
Amortization Expense	<u>820,050</u>

<sup>3</sup>Pro Forma Interest Expense Adjustment is BAN 2021 interest expense from 1/1/2022 through projected refunding date of 1/15/2023.  
The interest expense is calculated as follows:

Par Amount of Bonds	24,685,000
Coupon Rate	0.375%
Daily Interest Expense	257.14
# Days 1/1/2022 - 1/15/2023	374
Interest Expense	96,169



## EXHIBIT 5-2







**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.6. Refer to Application, Exhibit K, page 7, and Exhibit N, Schedule B, page 1. Confirm that Pro Forma Operating Expenses do not include any expenses that will be deferred to the sludge removal regulatory asset. If this cannot be confirmed, explain why these expenses should not be removed from the revenue requirement.**

**A.6. NKWD confirms Pro Forma Operating Expenses do not include any expenses that will be deferred to the North Reservoir Sediment Removal Regulatory Asset.**

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.7. Refer to Application, Exhibit N, Schedule B, page 3.**

**a. Provide the calculation of the test year rate case expense, including the amortization period used.**

**b. Provide a detailed schedule of the total rate case expense estimated for this case, which shows the estimated expense for accounting, engineering, legal, consultants, and other expenses.**

**A.7. a.** The test year rate case expense reflects actual amortization of the total cost of the 2018-00291 rate case amortized over a 3-year period. The expense amount of \$32,331 is calculated as follows:

Total Cost of Rate Case	\$96,994
Divided by Amortization Period (years)	3
Annual Rate Case Amortization Expense	\$32,331

**b.** Please refer to NKWD's Response to Commission Staff's First Request for Information, Response No. 10. It gives a detailed schedule for rate case expenses occurred to date and estimated expenses through the completion of this case.

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Constance Heppenstall and Stacey Kampsen**

**Q.8. Refer to Application, Exhibit N, Cost of Service Allocation Study (COSS).**

**a. Refer to Schedule A, page 1 of 1. According to the COSS, the residential class revenue is 61.7 percent of the total revenue, yet the proposed revenue allocation results in the residential class contributing to 62.3 percent of the total revenue. Explain why Northern Kentucky District is proposing to have the residential class subsidize the other rate classes.**

**b. Refer to Schedule C, page 2 of 21. Also refer to Schedule D, page 1 of 1. Schedule C states that the weighting of the factors is based on the maximum day ratio of 1.60 based on a review of the maximum day ratios between 1998 and 2021, or Schedule D. Explain why a maximum day ratio of 1.60 was chosen when the average in Schedule D is 1.43 and the maximum is 1.57.**

**c. Refer to Schedule C, page 6 of 21. Explain why the maximum hour ratio is 2.4 and provide support for this assumption.**

**R.8. a.** NKWD states that its goal is to move proposed revenues toward cost of service by class. Residential revenues under present rates equaled 62.6% of total revenue. Under proposed rates, revenue from the Residential class represents 62.3% of total revenue, moving half-way toward the Residential cost of service of 61.7%. NKWD did not move the revenues from the Residential class fully to cost of service which is the same approach NKWD used in its last rate case.

**b.** NKWD states that it used the maximum day ratio of 1.60 as the rounded historic ratio of 1.57. NKWD does not use the average of the historic maximum day ratios in the cost of service study as the water system is designed to meet the historic maximum day needed, not the average of the maximum days needed. This method is supported by the AWWA M1 Manual, 7<sup>th</sup> Edition, on page 373.

**c.** NKWD states that the maximum hour ratio is calculated as a percentage of NKWD's maximum day ratio. The 2.40 maximum hour ratio, which is based on professional judgment and experience of Gannett Fleming, equals 150% of the maximum day ratio of 1.60. The maximum day and maximum hour factors used in the cost of service study were the same factors that have been used in the Water District's prior rate cases.

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Amy Stoffer / Stacey Kampsen**

**Q.9. Refer to Application, Exhibit R.**

**a. For each project listed, explain whether or not Northern Kentucky District requested or is requesting a CPCN. If requested, provide the case number. If Northern Kentucky is not requesting a CPCN, provide a detailed explanation why.**

**b. Regarding the Water Main Replacement Program. Explain how the annual budget is determined.**

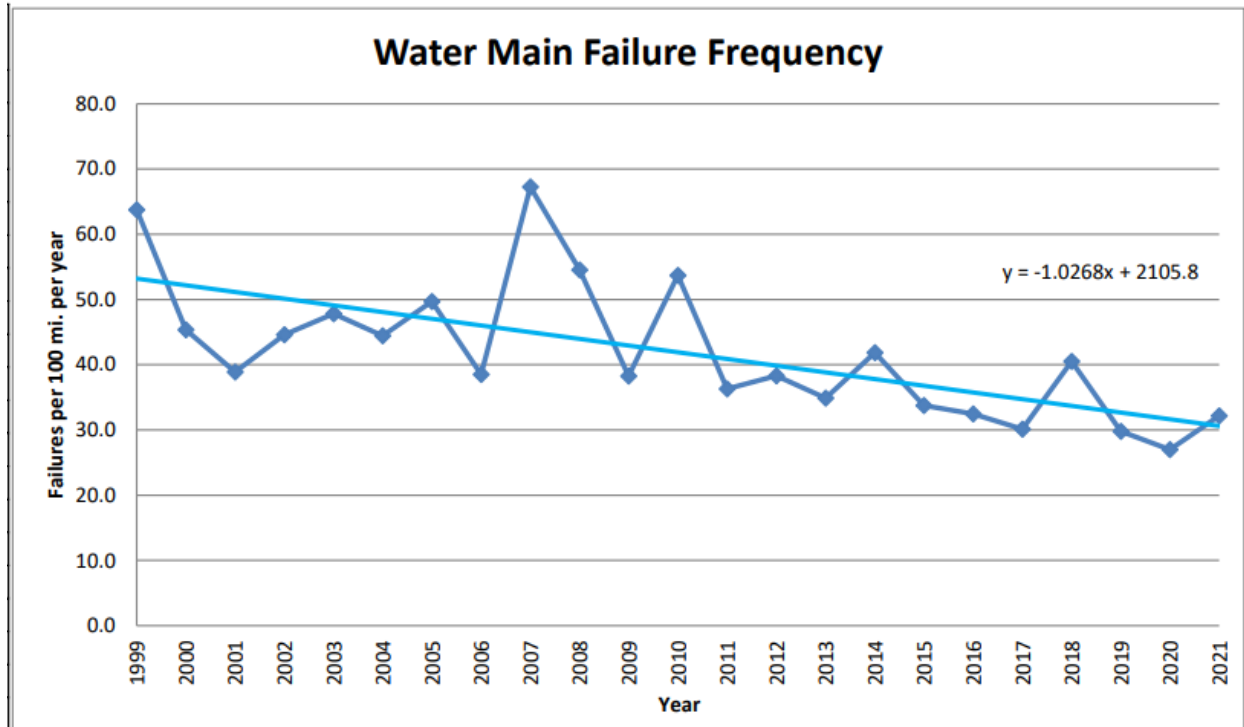
**c. For the overall work plan, explain how projects are determined and prioritized, and how estimates are rendered.**

**A.9. a.** NKWD submits the attached Exhibit 9-1. NKWD will request CPCNs on the necessary projects outlined on Exhibit 9-1 at the time that each respective project is sufficiently designed and developed but before construction in accordance with KRS 278.020. Where the project refers to an existing or future project that is considered ordinary course of business based on the proposed budget, it is so noted. Projects that are part of the annual water main replacement program traditionally consist of many small projects that do not require a CPCN, as can be observed in Exhibit O of the Application. Should any individual future water main replacement project under the yearly water main replacement program require a CPCN, this designation would change.

**b.** The Northern Kentucky 2008 Asset Management Program (AMP) included an assessment of the below-ground assets on pages 4-82 through 4-100 of the report (pages 353 through 373 of the response to the commission staffs first request for information). The report stated that Northern Kentucky's 10-year average break rate of 34.4 breaks per 100 miles per year was a little over the 2006 American Water Works Association's national benchmarking survey of 32.9 breaks per 100 miles per year. Northern Kentucky's goal as stated in the report is to be below 30 breaks per 100 miles per year. The report stated that water main replacement was recommended to keep the break rate from increasing. The AMP report stated the minimum annual water main replacement budget should be \$2,500,000 under any proposed rate funding scenario. To keep the annual water main break rate from escalating, however, an increased annual expenditure was recommended. The recommended expenditures are shown on pages 4-38 through 4-39 of the report (pages 309 and 310 of the response to the commission staffs first request for information) for years 2019 through 2026, which are the years included in Exhibit R. The AMP report recommended spending a total of \$71,750,000 for years 2019 through 2026. Exhibit R included a lower total water main replacement budget of \$50,200,000

for these same years. The water main replacement budget was adjusted for some years as part of the annual budgeting and rate making process. See also NKWD's Response to Commission Staff's First Request for Information, No. 21.

The updated 10-year average break rate for Northern Kentucky for 2012 through 2021 is 34.1 breaks per 100 miles per year, which shows that breaks have not accelerated since the 2008 AMP report. Therefore, the level of expenditure on the program has been sufficient to keep breaks and leaks from increasing. As shown in the graph below, the overall trend is going downward since the water main replacement program began in 1999.



c. For the overall work plan, projects were identified in the 2008 Asset Management Program report based on an evaluation of the asset condition and criticality. The consultant prepared the estimates for the projects in the AMP report. As asset conditions or priorities change and new projects are identified, the schedule may change and new estimates prepared by consultants or staff based on available cost information.



## EXHIBIT 9-1



Exhibit 1  
2022 - 2026 Projects

PSC Ref No.	Projects	Budget Year					Total Project Cost	Funding Source
		2021	2022	2023	2024	2025		
51	Vineyard (Gunkel Rd) (Upper Nine Mile to Fender Rd)			\$786,000			\$786,000	BAN 2023
100	Stonehouse Road (old Twelve Mile Rd.) KY 10 to KY 1566			\$1,120,000			\$1,120,000	BAN 2023
114	Interconnect 1080/1017 12" (Pond Creek - KY 177)			\$1,200,000			\$1,200,000	BAN 2023
121	Independence Road, Ky. 17 to Existing 12"			\$119,000			\$119,000	BAN 2023
122	Burns Road, Persimmon Grove to Flatwoods			\$1,554,000			\$1,554,000	BAN 2023
132	MPTP Residuals Handling Improvements			\$1,000,000			\$1,000,000	BAN 2023
144	Hands Pike from Ky 16 to Edwin Drive			\$608,000			\$608,000	BAN 2023
158	Dudley 1040 Pump Replacement (2 constant speed & 2 VFD)		\$750,000				\$750,000	BAN 2022
166	FTTP Residuals Handling Improvements - Presses, Conveyors, Polymer	\$3,000,000					\$3,000,000	BAN 2021
176	LRPS Generator & Walkbridge Upgrade			\$4,100,000			\$4,100,000	BAN 2023
180	US 27 24" Sunset to Martha Layne Collins				\$1,300,000		\$1,300,000	BAN 2024
202	Upgrade SCADA/Instrumentation/Security Equipment	\$710,000					\$710,000	BAN 2021
202	Upgrade SCADA/Instrumentation/Security Equipment - SRF Loan 2016		\$2,700,000				\$2,700,000	SRF Loan 2016
211	TM Pump Station Backup Generator		\$1,535,000				\$1,535,000	BAN 2022
211	TM Pump Station Backup Generator		\$1,000,000				\$1,000,000	KIA Grant 2022
211	TM Pump Station Backup Generator - SRF Loan 2020		\$4,065,000				\$4,065,000	SRF Loan 2020
220	Horsebranch Road 24" from 36" to Thomas More Parkway			\$800,000			\$800,000	BAN 2023
225	New KY 16 interconnect project between upgraded KDOT 16"			\$950,000			\$950,000	BAN 2023
227	New Tank in Taylor Mill		\$1,500,000				\$1,500,000	BAN 2022
229	New Tank and PS in Southern Campbell County (Burns Road Area)			\$800,000.00			\$800,000	BAN 2023
238	Annual General Facility R&R - Plants, Tanks, Pump Stations 2017		\$605,000				\$605,000	BAN 2022
239	Annual General Facility R&R - Plants, Tanks, Pump Stations 2018		\$1,061,000.00				\$1,061,000	BAN 2022
240	Plant Metering Upgrades	\$300,000					\$300,000	BAN 2021
243	FTTP Sedimentation Basins and Chemical Improvements	\$2,065,000.00					\$2,065,000	BAN 2021
243	FTTP Sedimentation Basins and Chemical Improvements - SRF Loan 2020		\$3,935,000.00				\$3,935,000	SRF Loan 2020
244	Annual General Facility R&R - Plants, Tanks, Pump Stations 2019		\$1,100,000.00				\$1,100,000	BAN 2022
245	MPTP Residuals Handling Improvements			\$4,600,000			\$4,600,000	BAN 2023
246	2019 Water Main Replacement Program	\$6,450,000					\$6,450,000	BAN 2021
246	2019 Water Main Replacement Program - SRF Loan 2016		\$1,000,000				\$1,000,000	SRF Loan 2016
251	Southern Kenton County Improvements (new)		\$1,000,000				\$1,000,000	BAN 2022
253	2020 Water Main Replacement Program	\$500,000					\$500,000	BAN 2021
255	Annual General Facility R&R - Plants, Tanks, Pump Stations 2020		\$510,000.00				\$510,000	BAN 2022
256	FTTP Residuals Handling Improvements - Lamella			\$3,500,000			\$3,500,000	BAN 2023
257	TMTP Chemical Building Improvements			\$1,380,000			\$1,380,000	BAN 2023
258	Annual General Facility R&R - Plants, Tanks, Pump Stations 2021		\$1,138,000				\$1,138,000	BAN 2022
259	SR 17 from Hands Pike to Apple Drive				\$8,000,000		\$8,000,000	BAN 2024
261	2021 Water Main Replacement Program		\$2,000,000				\$2,000,000	BAN 2022
263	Annual General Facility R&R - Plants, Tanks, Pump Stations 2022		\$1,163,000				\$1,163,000	BAN 2022
264	Mains into Unserved Areas 2022		\$250,000				\$250,000	BAN 2022
265	2022 Water Main Replacement Program		\$5,000,000				\$5,000,000	BAN 2022
266	20" MPTP Discharge Water Main Replacement				\$8,000,000		\$8,000,000	BAN 2024
266	20" MPTP Discharge Water Main Replacement					\$8,000,000	\$8,000,000	BAN 2025
267	Automated Meter System	\$11,000,000					\$11,000,000	BAN 2021
268	TMPS - Redundant 876 Pump Station					\$4,000,000	\$4,000,000	BAN 2025
269	Annual General Facility R&R - Plants, Tanks, Pump Stations 2023			\$1,190,000			\$1,190,000	BAN 2023
270	2023 Water Main Replacement Program			\$8,000,000			\$8,000,000	BAN 2023

Exhibit 1  
2022 - 2026 Projects

PSC Ref No.	Projects	Budget Year						Total Project Cost	Funding Source
		2021	2022	2023	2024	2025	2026		
271	Mains into Unserved Areas 2023			\$2,250,000				\$2,250,000	BAN 2023
272	Dudley 1080 Pump Station Improvements				\$3,600,000			\$3,600,000	BAN 2024
273	FTTP Chemical Feed Systems Upgrades					\$2,295,000		\$2,295,000	BAN 2025
274	Annual General Facility R&R - Plants, Tanks, Pump Stations 2024				\$1,218,000			\$1,218,000	BAN 2024
275	2024 Water Main Replacement Program				\$9,000,000			\$9,000,000	BAN 2024
276	Mains into Unserved Areas 2024				\$250,000			\$250,000	BAN 2024
277	Annual General Facility R&R - Plants, Tanks, Pump Stations 2025					\$1,246,000		\$1,246,000	BAN 2025
278	Replace Richardson Road Pump Station				\$2,000,000			\$2,000,000	BAN 2024
279	2025 Water Main Replacement Program					\$9,000,000		\$9,000,000	BAN 2025
280	Mains into Unserved Areas 2025					\$2,250,000		\$2,250,000	BAN 2025
281	Expand MPTP to 20 MGD						\$7,400,000	\$7,400,000	BAN 2026
282	Waterworks Road Pump Station Improvements						\$1,500,000	\$1,500,000	BAN 2026
283	TMTTP Pump Station Improvements						\$3,100,000	\$3,100,000	BAN 2026
284	Annual General Facility R&R - Plants, Tanks, Pump Stations 2026						\$1,277,000	\$1,277,000	BAN 2026
285	Newport Water Main Replacement		\$2,750,000					\$2,750,000	BAN 2022
285	Newport Water Main Replacement - Cleaner Water Grant		\$1,000,000					\$1,000,000	KIA Grant 2022
285	Newport Water Main Replacement			\$2,750,000				\$2,750,000	BAN 2023
286	2026 Water Main Replacement Program						\$9,250,000	\$9,250,000	BAN 2026
287	Mains into Unserved Areas 2026						\$250,000	\$250,000	BAN 2026
	Total BAN Funding	\$24,025,000	\$34,062,000	\$36,707,000	\$33,368,000	\$26,791,000	\$22,777,000	\$177,730,000	
	Total SRF, Grant Funding							\$0	
	Total Rate Case	\$24,025,000							

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.10. Provide the total amount collected for each nonrecurring charge and the number of occurrences for each nonrecurring charge that was assessed during the calendar years 2018, 2019, 2020, and 2021.**

**A.10. NKWD submits as follows:**

Nonrecurring Charge Type	2018		2019		2020		2021 (Test Year)	
	# of Occurrences	Total Collected	# of Occurrences	Total Collected	# of Occurrences	Total Collected	# of Occurrences	Total Collected
Return Check Charge - \$20.00	595	\$11,900	528	\$10,560	555	\$11,100	450	\$9,000
Service Charge (disconnect work order for non-payment, bad check, theft, failure to comply with NKWD Rules and Regulations) - \$25.00	6,624	\$165,600	5,539	\$138,475	1,323	\$33,075	693	\$17,325
Overtime Charge (turn on or off request outside of normal business hours) - \$60.00	286	\$17,160	250	\$15,000	99	\$5,940	137	\$8,220
Meter Test (1 inch and smaller) - \$30.00	4	\$120	4	\$120	9	\$270	4	\$120
Service Connection Installation 5/8 Inch - \$1,000.00	476	\$357,000	564	\$516,250	575	\$575,000	655	\$655,000
Service Connection Installation 1 Inch - \$1,500.00	18	\$19,800	35	\$49,300	36	\$54,000	78	\$117,000
Fire Hydrant Permit (1" meter assembly with 5/8" outlet) - \$15.00 per day	0	\$0	0	\$0	0	\$0	0	\$0
Fire Hydrant Permit (3" meter assembly with 2 1/2" outlet) - \$30.00 per day	2,772 days	\$83,160	2,797 days	\$83,910	2,397 days	\$71,910	2,249 days	\$67,470
Invoice Billing Policy*	14	\$32,290	23	\$70,377	28	\$121,044	44	\$156,827

*\*NKWD's Tariff includes an Invoice Billing Policy based on actual services and work performed which is applicable pursuant to the Tariff for various irregular services and situations such as larger service connections, reconnection of abandoned service lines, installation of fire hydrants, and fire hydrant repairs due to damage. The data above reflects the number of occurrences and amount collected for larger service connections only.*

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen / Barry Miller**

**Q.11. Indicate whether or not Northern Kentucky District included any expense savings from the installation of the automated metering infrastructure.**

**A.11.** NKWD states that it did not include any expense savings from the installation of the automated metering infrastructure (“AMI”). As outlined and explained in [Case No. 2021-00095, Response to Attorney General’s Supplemental Data Requests, No. 2.](#), any comparison between present costs of the defunct system currently in place and the new system will not show a reduction in yearly costs due to the increased capital expenditure.

Please note that the AMI project is still in the infancy of the construction process due to ongoing supply chain delays and it is now expected the in service date will likely be closer to June 30, 2024. Moreover, the NKWD would further note that with the additional data reads from the proposed system, NKWD expects to take a more proactive approach to identifying, investigating, and informing customers of potential leaks and water loss. So while a transition to AMI is expected to significantly reduce operational costs associated with current meter reading activities for an AMR system, those resources will be reallocated to address these other aforementioned needs even though no such positions are specifically identifiable at this time. See [Case No. 2021-00095, Response to Attorney General’s Supplemental Data Requests, No. 1.](#)

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Kim Clemons / Lindsey Rehtin**

**Q.12. Refer to the Direct Testimony of Kim Clemons, page 2, lines 14-19. Explain and provide support as to why since 2019, the number of budgeted employees have increased.**

**A.12.** NKWD states that the number of budgeted employees have increased from 160 in 2019 to 171 currently. This increase in employees have occurred for the following reasons:

- During the 2019 budget process, there were no requests to add to the employee headcount.
- During the 2020 budget process, 4 employees were requested to be added to the headcount. The positions are as follows:
  - Computer Support Technician – requested to support the increasing need to perform routine duties to install, maintain, update, and repair computer hardware and software; provides computer support, troubleshooting and training to end users; and assist with software upgrades & security updates.
  - Staff Accountant – requested to support the increasing demand to administer loans (KIA, Federal); coordinate Finance options for projects; reconcile billing dept. & accounting records (CIS/Great Planes); Support Finance; and support the Finance Manager and Vice President of Finance & Support Services in carrying out the responsibilities of the Accounting and Finance Department.
  - Contracts, Claims & Procurement Coordinator – requested to support purchasing procedures; coordinate Quotes, RFP's, Bid Openings; and claims & contract management.
  - Lab Analyst- requested to support the increasing needs of collecting, analyzing and reviewing data to ensure the delivery of source and treated water meets all standards sampling; and to assist with Source Water Protection Program and operational studies
- During the 2021 budget process, 1 employee was requested to add to the headcount. The position was as follows:
  - Support Services Manager - requested to implement and have oversight of AMI project. The customer service, meter shop and distribution departments would report up through this position.
- During the 2022 budget process, 6 employees were requested to add to the headcount.

- These positions are as follows:
  - Data Analyst – requested to maintain data storage, assess database design, and gather, organize, and interpret statistical information based on the data in the District’s databases.
  - Plant Operator – requested to be responsible for the daily production and operation of the water treatment plants and be responsible for ensuring that water quality meets all standards.
  - 3 Distribution Fieldman – requested to be primary for the Reservoir Sediment Removal projects and when needed, perform routine duties to install, maintain, repair, and replace components of the water distribution system.
  - Customer Service & Distribution Manager - requested to have oversight of the Distribution, Customer Service & Meter Shop to ensure restoration and repair of the distribution system and the proper administration of service is provided to all customers.

Overall, these positions were requested to accommodate the increase in responsibilities in each department.

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Kim Clemons / Stacey Kampsen**

**Q.13. Refer to Northern Kentucky District's response to Commission Staff's First Request for Information, (Staff's First Request), Item 30, Exhibit 30-1, unnumbered page 2 and Item 31, and Case No. 2018-00291, Order at 8.**

- a. Provide an explanation of any increases in employee contribution rates.**
- b. Provide the overall employee contribution percentage for family health insurance for the adjusted test year.**
- c. Provide the test year expense for health insurance separated by single and family coverage.**
- d. Refer to Northern Kentucky District's response to Staff's First Request, Item 44.**
- e. Confirm the cost justification sheets are updated with current costs. If not confirmed, provide a revision using current costs.**
- f. Refer to the Service charge Cost Justification. Explain when this charge is applied.**

**A.13.**

**a.** NKWD states that there have been no increases in the employee contribution rates. NKWD included increases in employee contribution rates in the pro forma financial statements for each health care plan category other than family and for each dental plan category. NKWD submits a comparison of the employee contribution rates for the test year (2021) and pro forma:

<b>HEALTH CARE PLAN CATEGORIES</b>	<b>Test Year Employee Contribution Rates</b>	<b>Pro Forma Employee Contribution Rates</b>
Single	5%	12%
Employee + Spouse	10%	12%
Employee + Dependent	9%	12%
Family	14%	14%

<b>DENTAL PLAN CATEGORIES</b>	<b>Test Year Employee Contribution Rates</b>	<b>Pro Forma Employee Contribution Rates</b>
Single	5%	12%
Employee + Spouse	5%	12%
Employee + Dependent	5%	12%
Family	5%	12%

**b.** NKWD states that the overall employee contribution percentage for family health insurance for the adjusted test year is 14%.

**c.** NKWD states that the 2021 Calendar Year (Test Year) expense for health insurance for single was \$474,911, for employee + spouse was \$393,611, for employee + dependent was \$449,059, and for family was \$1,719,367.

**d.** No response required.

**e.** NKWD confirms the cost justification sheets are updated with current costs. During preparation of the responses to PSC staff's second data request, NKWD discovered a transcription error on Exhibit 44-1 of its response to the first data request. On page 3 of the 5/8-Inch meter service connection (Bates Stamped Page NKWD 001975), under section I, Service Pipe Expense was listed incorrectly as \$63.46. The correct amount is \$75.15. This correction increased the Total Connection Expense from \$1,403.83 to 1,415.52. NKWD submits the revised cost justification sheet attached as Exhibit 13-1.

**f.** NKWD states that the service charge is applied for the following instances as authorized in the NKWD's Tariff Section I-A:

*“Service Charge” is applied to help recover the operation and maintenance costs incurred when creating and carrying out a work-order resulting from the following circumstance: a disconnect work-order for a non-payment of bill; a disconnect work-order for a returned (bad) check; a disconnect work-order due to a theft of service; or for failure to comply with the District’s Rates, Rules and Regulations.*





## **EXHIBIT 13-1**

**AVERAGE METER CONNECTION EXPENSE  
COST JUSTIFICATION**

Name of Utility Northern Kentucky Water District

The following is an itemization of expenses for providing a metered service connection.

**A. Meter Size**

5/8-Inch     3/4-Inch     1-Inch     1 1/2 -Inch     2-Inch

Other (specify) \_\_\_\_\_

**B. Materials Expense**

	<u>Unit Quantity</u>	<u>Cost</u>	<u>Total Cost</u>
1. Water Meter	<u>1</u>	<u>\$6 .4</u>	<u>\$6 .4</u>
2. Meter Yoke	<u>1</u>	<u>\$18.72</u>	<u>\$18.72</u>
3. Corporation Stop	<u>1</u>	<u>\$ 1.24</u>	<u>\$ 1 24</u>
4. Meter Box and Top	<u>1</u>	<u>\$84 7</u>	<u>\$84 7</u>
5. Miscellaneous Fittings	<u>1</u>	<u>\$107. 5</u>	<u>\$107 5</u>
6. Other (Itemize)			
<u>Concrete / Low Density Fill</u>	<u>1</u>	<u>\$ 1</u>	<u>\$ 1</u>
_____	_____	_____	_____
_____	_____	_____	_____
 TOTAL MATERIALS EXPENSE			 <u>\$ 11 8</u>
(add total cost)			

**C. Service Pipe Expense**

Type of Service Pipe Copper Size of Service Pipe 3/4"

	<u>Unit Quantity</u>	<u>Cost</u>	<u>Total Cost</u>
1. Short Side Service	<u>1 8</u>	<u>\$2.48</u>	<u>\$40 4</u>
2. Long Side Service	<u>4.0</u>	<u>\$27.24</u>	<u>\$10</u>
AVERAGE SERVICE PIPE EXPENSE (add total cost and divide by 2)			<u>\$ 75 15</u>

**D. Installation Labor Expense**

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>Average Contractor Cost</u>	<u></u>	<u>\$5 8</u>
2. Long Side Service	<u>Average Contractor Cost</u>	<u></u>	<u>\$1,518 00</u>
AVERAGE INSTALLATION LABOR EXPENSE (add total cost and divide by 2)			<u>\$ 1,028</u>

**E. Installation Equipment Expense**

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u></u>	<u></u>	<u></u>
2. Long Side Service	<u></u>	<u></u>	<u></u>
AVERAGE INSTALLATION EQUIPMENT EXPENSE (add total cost and divide by 2)			<u>\$</u>

**F. Installation Miscellaneous Expense**

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Inspection	_____	_____	_____
2. Site Clean-Up	_____	_____	_____
3. Other	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
AVERAGE INSTALLATION MISCELLANEOUS EXPENSE (add total cost)			\$_____

**G. Overhead Expense**

1. Installation expense (\$\_\_\_\_\_ ) times  
overhead rate (\_\_\_\_%) \$\_\_\_\_\_

**H. Administrative Expense**

1. Office expense for establishing a new account  
and billing record. \$\_\_\_\_\_

**I. Total Expenses**

Materials Expense	\$ <u>11 8</u>
Service Pipe Expense	<u>75.15</u>
Installation Labor Expense	<u>1,028</u>
Installation Equipment Expense	_____
Installation Miscellaneous Expense	_____
Overhead Expense	_____
Administrative Expense	_____

**TOTAL CONNECTION EXPENSE \$ 1,415.52**

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS –Stacey Kampsen**

**Q.14. Refer to Northern Kentucky District's response to the Notice of Deficiencies and Exhibits filed July 22, 2022, Exhibit M-2 Proposed Tariff.**

**a. Refer to the 1st Revised Sheet, No. 5, Section V – Customer Bill of Rights. Explain why Northern Kentucky District is proposing to delete the following in Item 6: In both cases, the customer must apply for the payment agreement prior to termination and 1/3 of the bill must be paid at the time arrangements are made.**

**b. Refer to the 1st. Revised Sheet No 12, Section VIII – Payment of Bills.**

**(1) Explain why the deposit language in Items 5 and 6 are being removed.**

**(2) Explain why the credit card assessment language is being removed in Item 8.**

**(3) In regards to the language indicating that the third-party payment processor may charge a fee for payment made by electronic means, explain whether the fee would go directly to the third-party payment processor or whether Northern Kentucky District would collect the fee and remit it to the third-party payment processor.**

**A.14.**

**a. NKWD wants to provide its customers with the opportunity and flexibility to make a payment plan when the customer is ready to enter a payment plan regardless of whether water service has already been terminated. In many instances, customers do not ask for payment plans until after water is shut off and being unable to afford the total arrears in light of the customer's specific financial circumstances only exacerbates the problem instead of easily resolving through a payment plan.**

Moreover, NKWD does not want to unduly burden its customers on payment plans by requiring a third of the balance to be paid at the time the payment plan is entered. In many instances, customers are on a fixed income and accrue a substantial arrears balance where it is impractical for the customer to pay 1/3 of the balance. However, NKWD will continue to require a portion of the balance to be paid at the time the payment plan is entered.

Removing those hurdles to payment plans not only benefits the customer by keeping them in water, the community's health, safety and welfare, but also NKWD who can eventually collect those arrears accrued.

**b(1).** NKWD states that as a result of the COVID-19 Pandemic suspending disconnections, NKWD did not require any deposits as no customers had three (3) or more disconnections during the preceding 12-month period. In reviewing the deposits, NKWD determined internal resources committed to collecting, maintaining, applying and returning deposits outweighed the nominal benefit of requiring deposits.

**b(2).** NKWD states that any fee charged to a payment made by electronic means is for and collected directly by the NKWD's third-party payment processor. As that portion is collected and retained by the processor, additional language was removed for clarity and to keep the text concise for customer understanding.

**b(3).** See Response above to b(2).

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen/Amy Stoffer**

**Q.15. Provide an annual water loss for the past ten years.**

**A.15. NKWD submits as follows from NKWD's annual report, Water Statistics (Ref Page: 30):**

<b>Calendar Year Ending December 31</b>	<b>Water Loss Amount Gallons (Omit 000's)</b>	<b>Water Loss %</b>
2021	1,728,907	17.80%
2020	1,480,898	15.34%
2019	1,633,563	16.53%
2018	1,674,122	17.06%
2017	1,165,978	12.65%
2016	1,473,520	15.10%
2015	741,274	8.32%
2014	1,367,964	14.20%
2013	1,281,138	13.64%
2012	1,458,604	14.31%

NKWD would further report based on the 12-month rolling average as of July 2022, the water loss rate is 17.65%, down 0.15% from December 2021 and such a trend is expected to continue based on the continued efforts outlined in [NKWD Response to Commission Staff's First Request for Information No. 45](#).

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.16. Provide the annual usage per rate class for the last ten years.**

**A.16. NKWD submits as follows:**

Year	Rate Class (by ccf)					
	Residential	Commercial	Multi-Family	Industrial	Public Authority	Wholesale
2021	5,058,204	1,571,910	1,166,839	1,077,814	529,362	676,093
2020	5,263,674	1,531,927	1,159,569	1,247,438	503,463	606,637
2019	5,037,048	1,720,939	1,111,526	1,201,515	716,476	612,879
2018	5,027,189	1,706,564	1,094,422	1,201,424	690,381	582,668
2017	4,983,713	1,731,701	1,077,703	1,186,360	629,309	578,803
2016	5,033,551	1,780,157	1,058,794	1,220,879	686,328	626,949
2015	5,041,555	1,807,408	1,034,635	1,180,608	677,856	581,987
2014	5,102,832	1,846,613	1,031,195	1,192,835	651,172	586,885
2013	5,117,501	1,858,362	1,017,646	1,105,130	641,376	565,368
2012	5,541,658	2,026,948	1,060,528	1,161,575	716,010	547,388



**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.17. Provide the annual amount of late fees assessed during the calendar years 2017, 2018, 2019, 2020, and 2021.**

**A.17. NKWD submits as follows:**

<b>Year</b>	<b>Total Late Fees Assessed</b>
2017	\$814,193
2018	\$856,519
2019	\$830,599
2020	\$237,109
2021	\$442,082

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.18. Provide calculations and support that show Northern Kentucky District will have adequate cash flows from Phase 1 rates to continue its current operations.**

**A.18.** NKWD submits the attached Exhibit 18-1 and Exhibit 18-2.



## **EXHIBIT 18-1**

**NORTHERN KENTUCKY WATER DISTRICT**  
**EXHIBIT 18-1**  
**PRO FORMA STATEMENT OF NET POSITION - STEP 1**  
**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	<b>Actual December 31, 2021</b>	<b>Application of Adjustments</b>	<b>Pro Forma December 31, 2021</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 42,708,186	\$ (2,517,898)	\$ 40,190,288
Investments	4,389,971	-	4,389,971
Accounts Receivable			
Customers, Net	6,350,629	-	6,350,629
Unbilled Customers	9,100,000	-	9,100,000
Others	228,310	-	228,310
Assessments Receivable	174,942	-	174,942
Inventory Supplies for New Installation and Maintenance, at Cost	2,048,552	-	2,048,552
Prepaid Items	1,118,470	-	1,118,470
Restricted Assets - Cash and Cash Equivalents			-
Bond Proceeds Fund	486,648	-	486,648
Debt Service Account	1,922,180	(38,570)	1,883,610
Improvement, Repair & Replacement	316,707	-	316,707
Total Current Assets	<u>68,844,595</u>	<u>(2,556,468)</u>	<u>66,288,127</u>
<b>Noncurrent Assets</b>			
Restricted Assets - Cash and Cash Equivalents			
Bond Proceeds Fund	16,928,802	(91,739)	16,837,063
Debt Service Account	18,678,385	1,014,260	19,692,645
Improvement, Repair and Replacement	10,422,934	-	10,422,934
Restricted Assets - Investments			-
Debt Service Reserve Account	17,334,305	1,786,950	19,121,255
Miscellaneous Deferred Charges	4,031,730	4,154,972	8,186,702
Capital Assets			
Land, System, Buildings and Equipment	526,482,852	-	526,482,852
Construction in Progress	12,495,400	(2,142,345)	10,353,055
Total Capital Assets	538,978,252	(2,142,345)	536,835,907
Less Accumulated Depreciation	<u>196,870,484</u>	<u>-</u>	<u>196,870,484</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>342,107,768</u>	<u>(2,142,345)</u>	<u>339,965,423</u>
Total Noncurrent Assets	<u>409,503,924</u>	<u>4,722,098</u>	<u>414,226,022</u>
Total Assets	<u>478,348,519</u>	<u>2,165,630</u>	<u>480,514,149</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows Related to Pension	2,553,369	-	2,553,369
Deferred Outflows Related to OPEB	3,519,560	-	3,519,560
Deferred Loss on Refundings	2,639,109	-	2,639,109
Total Deferred Outflows of Resources	<u>8,712,038</u>	<u>-</u>	<u>8,712,038</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 487,060,557</u>	<u>\$ 2,165,630</u>	<u>\$ 489,226,187</u>

**NORTHERN KENTUCKY WATER DISTRICT**  
**EXHIBIT 18-1**  
**PRO FORMA STATEMENT OF NET POSITION - STEP 1**  
**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

	<u>Actual December 31, 2021</u>	<u>Application of Adjustments</u>	<u>Pro Forma December 31, 2021</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
<b>Current Liabilities</b>			
Bonded Indebtedness	\$ 12,886,273	\$ -	\$ 12,886,273
Notes Payable	1,751,438	-	1,751,438
Accounts Payable	1,264,825	-	1,264,825
Accrued Payroll and Taxes	475,742	-	475,742
Compensated Absences	324,632	-	324,632
Arbitrage Liability	225,351	-	225,351
Other Accrued Liabilities	455,497	-	455,497
Liabilities Payable-Restricted Assets	-	-	-
Accrued Interest Payable	1,922,180	(38,570)	1,883,610
Accounts Payable	803,355	-	803,355
Total Current Liabilities	<u>20,109,293</u>	<u>(38,570)</u>	<u>20,070,723</u>
<b>Long-Term Liabilities (Net of Current Portion)</b>			
Liabilities Payable-Restricted Assets	-	-	-
Accounts Payable	294,537	-	294,537
Compensated Absences	1,327,727	-	1,327,727
Arbitrage Liability	15,850	-	15,850
Bond Anticipation Notes	24,685,000	(24,685,000)	-
Bond Indebtedness	133,263,341	27,335,000	160,598,341
Notes Payable	28,571,118	-	28,571,118
Net Pension Liability	22,419,617	-	22,419,617
Net Other Postemployment Benefits Liability	6,730,325	-	6,730,325
Total Long-Term Liabilities	<u>217,307,515</u>	<u>2,650,000</u>	<u>219,957,515</u>
Total Liabilities	<u>237,416,808</u>	<u>2,611,430</u>	<u>240,028,238</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Related to Pension	3,205,757	-	3,205,757
Deferred Inflows Related to OPEB	3,132,278	-	3,132,278
Deferred Gain on Refunding	2,820,627	-	2,820,627
Total Deferred Inflows of Resources	9,158,662	-	9,158,662
Total Liabilities and Deferred Inflows of Resources	<u>246,575,470</u>	<u>2,611,430</u>	<u>249,186,900</u>
<b>Net Position</b>			
Net Investment in Capital Assets	158,184,530	(4,884,084)	153,300,446
Restricted For			
Debt Service Funds	36,012,690	2,801,210	38,813,900
Capital Improvement Projects	9,641,749	-	9,641,749
Unrestricted	36,646,118	1,637,074	38,283,192
Total Net Position	<u>240,485,087</u>	<u>(445,800)</u>	<u>240,039,287</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 487,060,557</u>	<u>\$ 2,165,630</u>	<u>\$ 489,226,187</u>

**NORTHERN KENTUCKY WATER DISTRICT**  
**EXHIBIT 18-1**  
**PRO FORMA STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - STEP 1**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Actual</u>	<u>Application of Adjustments</u>	<u>Pro Forma</u>
<b>Operating Revenues</b>			
Water Sales	\$ 58,983,695	\$ 4,797,965	\$ 63,781,660
Forfeited Discounts	442,082	-	442,082
Rents From Property	383,269	-	383,269
Other Water Revenues	266,276	-	266,276
	<u>60,075,322</u>	<u>4,797,965</u>	<u>64,873,287</u>
<b>Operating Expenses</b>			
Operating and Maintenance Expense	29,965,655	4,327,546	34,293,201
Depreciation Expense	12,436,919	-	12,436,919
	<u>42,402,574</u>	<u>4,327,546</u>	<u>46,730,120</u>
Total Operating Expenses			
	<u>42,402,574</u>	<u>4,327,546</u>	<u>46,730,120</u>
Net Operating Income	<u>17,672,748</u>	<u>470,419</u>	<u>18,143,167</u>
<b>Non-Operating Income (Expense)</b>			
Investment Income	481,326	-	481,326
Miscellaneous Non-Operating Income	347,304	-	347,304
Loss on Abandonment of Mains	(289,089)	-	(289,089)
Interest on Long-Term Debt	(5,826,155)	(96,169)	(5,922,324)
Amortization of Debt Premiums and Bond Issuance Cost	989,953	-	989,953
Bond Issuance Costs	(181,821)	(820,050)	(1,001,871)
Pension Expense	(1,029,997)	-	(1,029,997)
Other Postemployment Benefit Expense	(267,744)	-	(267,744)
Arbitrage Rebate	53,883	-	53,883
Gain on Sale of Capital Assets	25,977	-	25,977
	<u>(5,696,363)</u>	<u>(916,219)</u>	<u>(6,612,582)</u>
Total Non-Operating Expenses			
	<u>(5,696,363)</u>	<u>(916,219)</u>	<u>(6,612,582)</u>
Change in Net Position Before Capital Contributions	11,976,385	(445,800)	11,530,585
<b>Capital Contributions</b>	<u>2,911,181</u>	<u>-</u>	<u>2,911,181</u>
Change in Net Position	14,887,566	(445,800)	14,441,766
<b>Net Position - Beginning of Year</b>	<u>225,597,521</u>	<u>-</u>	<u>225,597,521</u>
<b>Net Position - End of Year</b>	<u>\$ 240,485,087</u>	<u>\$ (445,800)</u>	<u>\$ 240,039,287</u>



## **EXHIBIT 18-2**

**Northern Kentucky Water District**  
**EXHIBIT 18-2**  
**Proforma Journal Entries - Adjusted for Step 1 Rates Only in Response to PSC Data Request 2 - Q18**  
**Test Year December 31, 2021**

JE #	Account Description	Account Number	Dr.	Cr.	Agrees to VL		Increase (Decrease)
1	Dr. Wage Expense	601-3100-001	2,419,627				
	Cr. Cash	131-0020-000		2,419,627		<u>Operating &amp; Maintenance Expense Adjustments</u>	
	to record proforma wages						
2	Dr. Capitalized Labor	184-4005-000	310,243			Salaries	2,419,627
	Cr. Wage Expense	601-3100-001		310,243		Less: Capitalized	(310,243)
	to record proforma capitalized wages					Employee Insurance	51,769
3	Dr. Health Insurance Expense	604-3400-001	11,948			Pension	704,574
	Dr. Dental Insurance Expense	604-3401-001	1,232			Chemical	932,324
	Dr. Life Insurance Expense	604-3402-001	38,589			Contractual Svcs - Reservoir Cleaning	434,470
	Cr. Cash	131-0020-000		51,769		Total O&M Adj	<u>4,232,521</u>
	to record proforma health, dental, life and AD&D expense					<u>Taxes Other Than Income Adjustments</u>	
4	Dr. Pension Expense	604-3300-001	704,574			FICA	95,025
	Cr. Cash	131-0020-000		704,574		Total Taxes Other Than Income Adj	<u>95,025</u>
	to record proforma pension expense					<u>Balance Sheet Adjustments</u>	
5	Dr. FICA Expense	699-3000-001	95,025			Cash - O&M	(2,517,898)
	Cr. Cash	131-0020-000		95,025		Cash - Bond Proceeds Fund	(91,739)
	to record proforma FICA expense					Cash - Debt Service Account NC	975,690
6	Dr. Chemical Expense	618-3000-001	932,324			Cash - Debt Service Account Current	
	Cr. Cash	131-0020-000		932,324		Regulatory Asset	4,589,442
	to record proforma chemical expense					Less: Amortization	(434,470)
7	Dr. Prepaid Reservoir Cleaning	162-0006-000	4,589,442			Net Regulatory Adjustments	<u>4,154,972</u>
	Cr. FTTP N. Reservoir Residual Removal	184-4007-000		2,452,588		Construction in Progress	(2,142,345)
	Cr. Cash	131-0020-000		2,136,854		Bond Anticipation Notes Payable	(24,685,000)
	to record proforma FTTP solids (sludge) removal					Other Accrued Liabilities	
8	Dr. Contractual Svcs - Reservoir Cleaning	635-4000-027	434,470			Current Portion of LTD	
	Cr. Prepaid Reservoir Cleaning	162-0006-000		434,470		Long-term debt - bonds	27,335,000
	to record one year exp. of proforma FTTP solids (sludge) removal					Long-term debt - notes	
11	Dr. Underwriter's discount	528-0002-000	546,700			Debt Service Reserve	1,786,950
	Dr. Cost of Issuance	528-0002-000	273,350			Accrued Interest Payable	(38,570)
	Dr. 2021A BAN Payable	232-0012-000	24,685,000			<u>Revenue Adjustments</u>	
	Dr. Debt Service Reserve Fund	133-0181-000	1,786,950			Total Water Sales	4,797,965
	Dr. Bond Proceeds Fund BAN 2021A	132-0053-000	837				
	Dr. Interest Expense	527-0001-000	96,169			<u>Nonoperating Adjustments</u>	
	Dr. Accrued Interest Payable	237-0000-000	38,570			Amortization	820,050
	Cr. Capitalized Interest BAN 2021A	132-0054-000		92,576		Interest Expense	96,169
	Cr. Long Term Debt - Bond 2023	221-0042-000		27,335,000		<u>Explanations/Assumptions:</u>	
	to record proforma payoff of BAN 2021A and issuance of Bond 2023					All payroll related items (wages, cap labor, health, pension, FICA) should go into effect January 1, 2023.	
15	Dr. Cash	131-0020-000	186,958			The proforma chemical expense is an adjustment applying chemical bid effective 7/1/2022 to the three year average of chemical usage for 7/1, and GAC contactors at bid prices effective 4/1/22	
	Cr. Revenue - Residential	461-0100-000		11,534		The FTTP north reservoir cleaning expense is expected to be fully paid for an in service no later than 12/31/2022. One year of the expense will be amortized.	
	Cr. Revenue - Commercial	461-0101-000		59,812		The 2021A BAN will come due February 1, 2023 for \$24.7M. A bond is expected to be issued 2/1/23 for \$27.3M to pay off the \$24.7 2021A BAN.	
	Cr. Revenue - Industrial	461-0102-000		68,241		The proforma revenues have been adjusted to include Step 1 rates only	
	Cr. Revenue - Public Authority	461-0103-000		23,978			
	Cr. Revenue - Multi-family	461-0104-000		46,372			
	Cr. Revenue - Bulk loading	461-0011-000		-			
	Cr. Revenue - Income - Resale Water Sales	466-0001-000		89			
	to record proforma revenue - adjust to revenues, present rates						
16	Dr. Cash	131-0020-000	4,611,007				
	Cr. Revenue - Residential	461-0100-000		2,845,702			
	Cr. Revenue - Commercial	461-0101-000		615,297			
	Cr. Revenue - Industrial	461-0102-000		336,717			
	Cr. Revenue - Public Authority	461-0103-000		181,450			
	Cr. Revenue - Multi-family	461-0104-000		470,669			
	Cr. Revenue - Bulk loading	461-0011-000		5,147			
	Cr. Revenue - Income - Resale Water Sales	466-0001-000		156,026			
	to record proforma revenue - adjust to revenues, step 2 rates						
17	Dr. Cash - Bond P&I	132-0001-000	975,690				
	Cr. Cash - O&M	131-0020-000		975,690			
	to adjust restricted debt service to 3 year average payment						



**Northern Kentucky Water District**  
**EXHIBIT 18-2**  
**Revenue Detail - Adjusted for Step 1 Rates Only in Response to PSC Data Request 2 - Q18**  
**Test Year December 31, 2021**

<b>Operating Revenues</b>	<b>Current as of 12/31/21</b>	<b>Adjustments</b>	<b>Proforma PV of Rates</b>	<b>Adjustments</b>	<b>Proforma Step 1 Rates</b>
<b>Metered Sales</b>					
Sales to Residential Customers	36,916,772	(11,534)	36,905,238	2,845,702	39,750,940
Sales to Commercial Customers	7,749,227	59,812	7,809,039	615,297	8,424,336
Sales to Industrial Customers	4,034,073	68,241	4,102,314	336,717	4,439,031
Sales to Public Authorities	2,243,348	23,978	2,267,326	181,450	2,448,776
Sales to Multiple Family Dwellings	5,907,716	46,372	5,954,088	470,669	6,424,757
Sales Through Bulk Loading Stations	66,507	-	66,507	5,147	71,654
<b>Total Metered Sales</b>	<b>56,917,643</b>	<b>186,869</b>	<b>57,104,512</b>	<b>4,454,981</b>	<b>61,559,493</b>
Fire Protection Revenue	43,306	-	43,306	-	43,306
Sales for Resale	2,022,746	89	2,022,835	156,026	2,178,861
<b>Total Water Sales</b>	<b>58,983,695</b>	<b>186,958</b>	<b>59,170,653</b>	<b>4,611,007</b>	<b>63,781,660</b>
Forfeited Discounts	442,082	-	442,082	-	442,082
Rents from Water Property	383,269	-	383,269	-	383,269
Other Water Revenues	266,276	-	266,276	-	266,276
<b>Total Operating Revenues</b>	<b>60,075,322</b>	<b>186,958</b>	<b>60,262,280</b>	<b>4,611,007</b>	<b>64,873,287</b>
			59,170,653		63,781,660
			(43,306)		(43,306)
			59,127,347		63,738,354

agrees to Gannett Fleming Sch A, Revenues, Step 1

<b>Operating Revenues</b>	<b>Current as of 12/31/21</b>	<b>Adjustments</b>	<b>Proforma PV of Rates</b>	<b>Adjustments</b>	<b>Proforma Step 2 Rates</b>
<b>Metered Sales</b>					
Sales to Residential Customers	36,916,772	(11,534)	36,905,238	5,644,656	42,549,894
Sales to Commercial Customers	7,749,227	59,812	7,809,039	1,224,929	9,033,968
Sales to Industrial Customers	4,034,073	68,241	4,102,314	667,368	4,769,682
Sales to Public Authorities	2,243,348	23,978	2,267,326	360,592	2,627,918
Sales to Multiple Family Dwellings	5,907,716	46,372	5,954,088	938,073	6,892,161
Sales Through Bulk Loading Stations	66,507	-	66,507	10,294	76,801
<b>Total Metered Sales</b>	<b>56,917,643</b>	<b>186,869</b>	<b>57,104,512</b>	<b>8,845,912</b>	<b>65,950,424</b>
Fire Protection Revenue	43,306	-	43,306	-	43,306
Sales for Resale	2,022,746	89	2,022,835	305,291	2,328,126
<b>Total Water Sales</b>	<b>58,983,695</b>	<b>186,958</b>	<b>59,170,653</b>	<b>9,151,203</b>	<b>68,321,856</b>
Forfeited Discounts	442,082	-	442,082	-	442,082
Rents from Water Property	383,269	-	383,269	-	383,269
Other Water Revenues	266,276	-	266,276	-	266,276
<b>Total Operating Revenues</b>	<b>60,075,322</b>	<b>186,958</b>	<b>60,262,280</b>	<b>9,151,203</b>	<b>69,413,483</b>
			59,170,653		68,321,856
			(43,306)		(43,306)
			59,127,347		68,278,550

agrees to Gannett Fleming Sch A, Revenues, Step 2

**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.19. Refer to Northern Kentucky District's Application for Water Service (Residential), A. Applicant Information, in its current tariff on file with the Commission. For each item below, explain the reasoning for requesting the information and explain the ramifications of a prospective customer failing to provide the information. Also, for the three questions in g. through i. below, explain the ramifications if a prospective customer answers yes to those questions.**

- a. Names of Adults Residing at Service Location;**
- b. Applicant's Employer;**
- c. Applicant's Marital Status;**
- d. Name of Spouse;**
- e. Spouse's Phone Number;**
- f. Spouse's Employer;**
- g. Whether the applicant/co-applicant water service has ever been disconnected by Northern Kentucky District for nonpayment of water charges within the past two years;**
- h. Whether the applicant/co-applicant has had two or more checks returned by their bank for insufficient funds on any prior account with Northern Kentucky District; and**
- i. Whether the applicant/co-applicant has filed for bankruptcy within the last 7 years.**

**A.19.** NKWD states that as part of its tariff revisions it is not requesting any changes to its application form. Save some formatting changes submitted and adopted on or about August 29, 2019, the application form remains the same since an in-depth review conducted as required by the Commission as part of Case No. 2013-00309, *In the Matter of Donald B. and Kimberly A. Niegarth vs. Northern Kentucky Water District*. As part of the review in that case, the District submitted a letter of explanation dated March 24, 2014, attached and incorporated herein as Exhibit 19-1, which addressed in part the question propounded herein and is included for convenience and clarity of the record. NKWD further submits as follows:

**Generally:** NKWD states that failure of the applicant to fill out any of these items on the application will not result in the denial of service. Furthermore, in all instances, if an applicant for new service has a past due debt from another service location, service would not be denied but that debt will be transferred to the new account for payment.

**Subpart (a):** This information is used to assist in the efforts to collect any past due debt and deter individuals from switching the name service is provided in to avoid paying past due balances. If an applicant attempts to switch service at a service location from the current listed account holder with a past due balance and list that same current account holder with a past due balance as an adult residing at the same service location, NKWD will not provide service until the past due debt is resolved. However, the application will not be denied in any other circumstance such as if the applicant has an adult residing at the service location with a past due balance incurred at different service location.

**Subpart (b):** This information is used to assist in the efforts to collect any past due debt and deter individuals from not paying for service as billed.

**Subpart (c):** This information is used to assist in the efforts to collect any past due debt and deter individuals from switching the name service is provided in to avoid paying past due balances. Please note that a spouse is legally liable for “necessaries” furnished to the other spouse. See KRS 404.040.

**Subpart (d):** This information is used to assist in the efforts to collect any past due debt and deter individuals from switching the name service is provided in to avoid paying past due balances. Please note that a spouse is legally liable for “necessaries” furnished to the other spouse. See KRS 404.040.

**Subpart (e):** This information is used to assist in the efforts to collect any past due debt and deter individuals from switching the name service is provided in to avoid paying past due balances.

**Subpart (f):** This information is used to assist in the efforts to collect any past due debt and deter individuals from not paying for service as billed.

**Subpart (g):** This information is used to assist in the efforts to collect any past due debt and previously whether a deposit would be required because of three disconnections over course of past 12-month period (Tariff Section VIII, paragraph 5). Service would not be denied if checked yes.

**Subpart (h):** This information is included due to NKWD Tariff, Section VIII, Paragraph 9:

Any customer that has had or has two checks returned by the District’s bank for insufficient funds (or for any other reason) applicable to any previous or existing District account within a twelve-month time frame must pay charges due via another method of payment for the subsequent twelve-month period beginning with the date of the first returned check.

If checked yes and two checks were returned within the time frames outlined in the Tariff section above, the Customer is advised that NKWD will not accept checks for payment of charges until sufficient time has passed. Service would not be denied if checked yes.

**Subpart (i):** This information is used to assist in the efforts to collect any past due debt by allowing NKWD to determine if bankruptcy discharged the balance or if it is an otherwise collectible debt. Service would not be denied if checked yes.



## **EXHIBIT 19-1**

# Exhibit 19-1

March 24, 2014

Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

RE: Application for Water Service (Individual and Business Entities)

Dear Mr. Derouen:

Northern Kentucky Water District (NKWD) appreciates the Commission Staff meeting with us in an informal conference on March 6, 2014 to discuss the issue of customer applications. As discussed at that meeting, for purposes of facilitating the Public Service Commission's review and consideration of NKWD's proposed Applications for Water Service (both Individual and Business Entities) and pursuant to the Order in Case No. 2013-00309, dated January 31, 2014, NKWD provides the service application forms to be included as part of its tariff along with explanations of the various provisions contained therein.

## **BUSINESS APPLICATION:**

### Customer and Property Manager

The preamble to the application asks the applicant to provide the name of the customer and, if applicable, the name and contact information for any property manager, together with a copy of any property management agreement. The District has encountered situations where the District is contacted by individuals / entities who request water service turn-on in their name, but then, when the account is not paid, argue that they were simply acting as property managers for the actual applicant. This part of the application clarifies the capacity in which someone is applying for service, so it is clear who is legally obligated on the account.

### Type of Entity

The preamble to the application asks the applicant to state what type of business entity is applying for the water service. The District seeks to verify that the appropriate person executing the application is authorized to do so on the applicant's behalf. For example, if a trust is applying for water service, the District will verify that the trustee is executing the application, or if an estate is applying for water service, that the executor of the estate is executing the application. This ensures that a valid and enforceable contract is being entered into with the District.

### Tax Exempt

The preamble to the application asks the applicant to state whether the business entity is tax exempt. The District has differing obligations in connection with charging or withholding taxes in the event water utility service is being provided to a tax exempt business entity.

NKWD 002687

### State of Organization/Incorporation

The preamble to the application asks the applicant to provide its state of organization or incorporation. The District can research various business entity databases maintained by applicable Secretary of State's offices to confirm the legal existence and good standing status of the applicant business entity, as well as the contact information of the applicant's registered agent for service of process in the event collection activities are commenced for any indebtedness owed to the District.

### Federal Employer Identification Number

The District has deleted the federal employer identification number from the application. Because the identity and legal existence of the applicant business entity can be verified in alternative ways, and because of concerns raised by the Public Service Commission in its Order in Case No. 2013-00309 entered January 31, 2014, the District has removed the federal employer identification number. It is important to note that while the District has asked for the federal employer identification number in the past, the District has complied with the Privacy Act by not making disclosure a mandatory requirement for service and the District has never denied utility service to any applicants who refused or failed to provide such information.

### Parent Company

The preamble to the application asks for the name of the applicant's parent company. The District requests the identification of the parent company to assist the District in potential collection activities for indebtedness.

### Previous Address of Applicant

The preamble to the application asks for the previous address of the applicant. Section I (General Provisions) of the Tariff provides that: "No application for water service will be approved and no water shall be supplied to any applicant or customer where the applicant or customer is delinquent or indebted to the Water District. This section will apply whether the delinquency or indebtedness is incurred at the premises for which application is made or at any other premises or property." If outstanding indebtedness is owed by the applicant to the District for utility service provided to the applicant at a prior address, this will alert the District to attempt to collect the outstanding indebtedness and minimize losses incurred by the District, and will also provide a basis for the District to exercise its rights and authority under Section I (General Provisions) to deny approval of an application for water service to a delinquent or indebted applicant, or if the application is otherwise approved, then to require a security deposit from the applicant.

### Section A – Question #1

This question asks whether the applicant owns or rents the property in an effort to confirm the applicant has an interest of some sort in the property and is not simply being used to defraud the District. If the applicant rents the property, then the District seeks to determine the identity and

contact information of the fee simple owner of the property, as well as a copy of the signed rental agreement establishing the applicant's legal right to possess the property and request the water service turn-on.

#### Section A – Question #2

This question elicits information from the applicant relating to delinquent amounts owed to the District by the applicant from a prior water account. Section I (General Provisions) of the Tariff provides that: "No application for water service will be approved and no water shall be supplied to any applicant or customer where the applicant or customer is delinquent or indebted to the Water District. This section will apply whether the delinquency or indebtedness is incurred at the premises for which application is made or at any other premises or property." An affirmative response to Question #2 by the applicant will alert the District to attempt to collect the outstanding delinquency and minimize losses incurred by the District, and will also provide a basis for the District to exercise its rights and authority under Section I (General Provisions) to deny approval of an application for water service to a delinquent or indebted applicant, or if the application is otherwise approved, then to require a security deposit from the applicant.

#### Section A – Questions #3 through #5

These questions elicit information from the applicant relating to non-payment of any water charges in the previous two (2) years, whether two (2) or more checks have been returned for insufficient funds on any prior water account, and whether the applicant has filed bankruptcy within the previous seven (7) years. Section VIII (Payment of Bills) of the Tariff provides the District with authority to require security deposits if any of the aforementioned circumstances exist with respect to an applicant for water service. An affirmative response to any of Questions #3 through #5 will alert the District to previous credit deficiencies in the applicant, and will allow the District to exercise its authority under Section VIII (Payment of Bills) to require a security deposit, and to assess and minimize the associated risks to the District.

#### Section A – Question #6

This question asks whether the equity of the applicant business entity is publicly traded. If the business entity is a privately held company and not publicly traded, then the District seeks but does not require than an individual owner execute the application under Section D as a co-applicant. This creates a contractual relationship with the individual equity owner and serves as a "personal guaranty" of any indebtedness incurred by the applicant business entity. The District has never denied utility service to any applicants who refused or failed to provide such a co-applicant.

#### Section B – Paragraph (a)

This paragraph informs the applicant that the applicant must comply with the District's rules, regulations, and the Tariff, and that if payment for water utility services is not paid when due, termination of water service may result. Section VIII (Payment of Bills) of the Tariff provides



that if water bills are not paid within certain time periods after their due date, the District may initiate water termination procedures by sending a service cut-off notice to the customer.

This paragraph further requires the applicant to agree to reimburse reasonable attorneys fees, court costs, and charges and fees of any collection agency employed to collect a debt from the applicant. The purpose of these provisions is to provide the District with a legal mechanism through which costs of enforcing the water utility service contract and collecting delinquent amounts owed to the District can be recouped directly from the applicant, and not to have those costs passed through to other innocent utility ratepayers.

#### Section B – Paragraph (b)

This paragraph provides that no application for water service shall be approved, nor shall any water be supplied, to any applicant or customer who is delinquent or indebted to the District, whether that delinquency or debt was incurred at the premises specified in the application or at any other premises or property. These provisions are a verbatim restatement of the language authorized in Section I (General Provisions), Subsection 2 of the Tariff.

#### Section B – Paragraph (c)

This paragraph provides that the applicant agrees that rates and charges for water service are established by, and may be increased or decreased from time to time, by the Public Service Commission. This is simply an acknowledgment by the applicant that the Public Service Commission sets the District's utility rates and charges for water service under its statutory authority to do so, and is within the inherent jurisdiction of the Public Service Commission.

#### Section B – Paragraph (d)

This paragraph provides that the applicant will maintain all water pipes and service lines on the applicant's property in compliance with state, local, and municipal building or plumbing codes. This agreement from the applicant is predicated on Section XIII (Service Connection Installations), Subsection 4 of the Tariff, which requires the following: "The service line from the point of service to the building shall be installed and maintained by the customer at no cost to the District. All service lines may be subject to inspection or approval by the District and/or Kentucky State Plumbing Inspectors before water service will be turned on for use."

#### Section B – Paragraph (e)

This paragraph provides that the applicant agrees to be bound by all provisions of the application and the District's rules, regulations, and Tariff. This provision is based on various sections of the Tariff which require a customer's compliance with the District's rates, rules, and regulations. In Section IA (Definitions), Subsection 6, service charges to the customer are authorized for a failure to comply with the District's rates, rules, and regulations. In Section VIII (Payment of Bills), Subsection 7, the Tariff provides that in the event water service is disconnected for failure to comply with the District's rates, rules, and regulations, a service charge may be added to the customer's bill. And in Section XIII (Service Connection Installations), Subsection 1, the Tariff

provides that any prospective water customer desiring water service and installation of a service connection, should apply at the District's office, and the prospective customer shall, in signing a water service connection contract, agree to be bound by all of the provisions of the District's rates, rules, and regulations.

#### Section B – Paragraph (f)

This paragraph provides that the applicant agrees that the application is a legally binding contract of the applicant. This provision clearly establishes the existence of a binding and enforceable contract between the District and the applicant.

#### Section B – Paragraph (g)

This paragraph is a representation and warranty by the applicant that the applicant is not in bankruptcy or otherwise subject to any other legal arrangements with any of the applicant's creditors. The District seeks to verify the credit rating and creditworthiness of the business entity to pay future water utility charges and rates. In addition, the District may be required to abide by special rules and legal obligations in supplying water utility service to a customer who is a debtor in a bankruptcy proceeding.

#### Section B – Paragraph (h)

This paragraph notifies and discloses to the applicant the applicant's right to review the District's Tariff, including the Customer Bill of Rights in Section V, and provides direct contact information for the Public Service Commission through which the applicant may further exercise its rights under Kentucky utilities law.

#### Section C – Landlord

If the applicant indicates that it is renting the property, the District requests the identity and contact information of the fee simple owner and a copy of the rental agreement. The District may have a need to enter the property for maintenance and repair of water utility lines and other facilities and may need to obtain permission from the fee simple owner. A copy of the signed rental agreement is requested from the applicant to establish and verify that the applicant is, in fact, named on the rental agreement as a tenant authorized to occupy the leased unit.

#### Section D – Owner Co-Applicant

The District requests but does not require that an individual equity owner of the business entity (if a private company) execute the application as a co-applicant. This provides a personal guaranty of the applicant business entities' payment of future water utility charges and rates. The District seeks to minimize its bad debt and losses against providing water utility service to a business entity that may possess no assets. The District has never denied utility service to any applicants who refused or failed to provide such a co-applicant.

## Water Turn-On Release Form

The District receives frequent requests from customers for water service to be turned-on to the customer's property when the customer is not physically present at the property. With the customer not present at the property and the District being unable to access the interior of any structures on the property, the District has no knowledge as to whether faucets are properly turned-off or closed, or whether main water valves are shut or open. The turn-on of water service to a property when the customer is not physically present raises risks of liability on behalf of the District. The District requests customers to complete the release form to minimize potential and costly liability being incurred by the District.

### **INDIVIDUAL APPLICATION:**

#### Customer

The preamble to the application asks the applicant to provide the name of the customer. This is to establish a legal, contractual relationship between the District and the applicant.

#### Social Security Number

The District has deleted the social security number from the current application. Because the identity of the individual applicant can be verified in alternative ways, and because of concerns raised by the Public Service Commission in its Order in Case No. 2013-00309 entered January 31, 2014, the District has removed the social security number. It is important to note that while the District has asked for the social security number in the past, the District has complied with the Privacy Act by not making disclosure a mandatory requirement for service and the District has never denied utility service to any applicants who refused or failed to provide such information.

#### Date of Birth and Driver's License No.

The preamble to the application asks the applicant to provide his/her date of birth and driver's license number. This information assists the District in verifying the applicant's identity, which in turn assists the District in confirming that the applicant is, in fact, the current property owner, or a tenant as identified in any rental agreement for the property. Should an applicant request water service and the opening of a water utility account under a fictitious name, the District may have no direct contractual basis to enforce the water service agreement against the applicant. The District has not, and will not, deny water utility service if the applicant fails or refuses to provide this information.

#### Applicant's Employer

The preamble to the application asks for the name of the applicant's employer. This information assists the District in assessing the credit rating of the applicant. In Section VIII (Payment of Bills), Subsection 5(e) of the Tariff, the District is authorized to require a security deposit from

any customer that cannot provide a satisfactory credit rating, or payment history with the District or another utility.

### Members of the Household

The preamble to the application asks the applicant to identify the members of the applicant's household who will be residing at the subject property, the applicant's previous address, and the names of household members who resided at the previous address. Section V (Customer Bill of Rights), Subsection 1 of the Tariff, provides that the customer has the right to service, provided that the customer (or a member of the customer's household whose debt was accumulated at the customer's address) are not indebted to the District. The information obtained through these related questions will assist the District in identifying individuals who may be indebted to the District under prior water service accounts, and aids the District in minimizing bad debt and losses.

### Section A – Questions #1 and #2

These two questions ask whether the applicant is married, and whether the applicant owns or rents the property to be provided the water service. The District has frequently encountered the following situations where a husband and wife reside together or where multiple tenants occupy the same leased unit. The husband/wife scenario occurs where a husband and wife reside at Home A and place the water account solely in the husband's name. The husband defaults in the payment of the water bills and incurs a debt to the District. Then husband and wife move from Home A into Home B, and the wife contacts the District to open a water account solely in her own name for Home B. Likewise, in the co-tenant scenario, Tenant A and Tenant B both occupy the same leased unit, but the water account is only placed in Tenant A's name. Tenant A defaults in the payment of the water bills and incurs a debt to the District. Then Tenant B contacts the water district to open a new water account solely in Tenant B's name.

In both scenarios, without the wife or Tenant B being named on the prior delinquent water account, the District has no clear legal basis for attaching the accumulated debt of the husband or Tenant A to those secondary parties, although both the wife and Tenant B have received all along a direct benefit of the water service which has not been paid for.

Questions #1 and #2 elicit information about the existence of spouses and co-tenants who will be receiving the direct benefit of water service provided by the District, and seeks to avoid financial harm and losses to the District caused by these "shell games".

### Section A – Question #3

This question elicits information from the applicant relating to delinquent amounts owed to the District by the applicant from a prior water account. Section I (General Provisions) of the Tariff provides that: "No application for water service will be approved and no water shall be supplied to any applicant or customer where the applicant or customer is delinquent or indebted to the Water District. This section will apply whether the delinquency or indebtedness is incurred at the premises for which application is made or at any other premises or property." An affirmative

response to Question #3 by the applicant will alert the District to attempt to collect the outstanding delinquency and minimize losses incurred by the District, and will also provide a basis for the District to exercise its rights and authority under Section I (General Provisions) to deny approval of an application for water service to a delinquent or indebted applicant, or if the application is otherwise approved, then to require a security deposit from the applicant.

#### Section A – Questions #4 through #6

These questions elicit information from the applicant relating to non-payment of any water charges in the previous two (2) years, whether two (2) or more checks have been returned for insufficient funds on any prior water account, and whether the applicant has filed bankruptcy within the previous seven (7) years. Section VIII (Payment of Bills) of the Tariff provides the District with authority to require security deposits if any of the aforementioned circumstances exist with respect to an applicant for water service. An affirmative response to any of Questions #4 through #6 will alert the District to previous credit deficiencies in the applicant, and will allow the District to exercise its authority under Section VIII (Payment of Bills) to require a security deposit, and to assess and minimize the associated risks to the District.

#### Section B – Paragraph (a)

This paragraph informs the applicant that the applicant must comply with the District's rules, regulations, and the Tariff, and that if payment for water utility services is not paid when due, termination of water service may result. Section VIII (Payment of Bills) of the Tariff provides that if water bills are not paid within certain time periods after their due date, the District may initiate water termination procedures by sending a service cut-off notice to the customer.

#### Section B – Paragraph (b)

This paragraph requires the applicant to agree to reimburse reasonable attorneys fees, court costs, and charges and fees of any collection agency employed to collect a debt from the applicant. The purpose of these provisions is to provide the District with a legal mechanism through which costs of enforcing the water utility service contract and collecting delinquent amounts owed to the District can be recouped directly from the applicant, and not have those costs passed through to other innocent utility ratepayers.

#### Section B – Paragraph (c)

This paragraph provides that no application for water service shall be approved, nor shall any water be supplied, to any applicant or customer who is delinquent or indebted to the District, whether that delinquency or debt was incurred at the premises specified in the application or at any other premises or property. These provisions are a verbatim restatement of the language authorized in Section I (General Provisions), Subsection 2 of the Tariff.

Section B – Paragraph (d)

This paragraph provides that the applicant agrees that rates and charges for water service are established by, and may be increased or decreased from time to time, by the Public Service Commission. This is simply an acknowledgment by the applicant that the Public Service Commission sets the District's utility rates and charges for water service under its statutory authority to do so, and is within the inherent jurisdiction of the Public Service Commission.

Section B – Paragraph (e)

This paragraph provides that the applicant will maintain all water pipes and service lines on the applicant's property in compliance with state, local, and municipal building or plumbing codes. This agreement from the applicant is predicated on Section XIII (Service Connection Installations), Subsection 4 of the Tariff, which requires the following: "The service line from the point of service to the building shall be installed and maintained by the customer at no cost to the District. All service lines may be subject to inspection or approval by the District and/or Kentucky State Plumbing Inspectors before water service will be turned on for use."

Section B – Paragraph (f)

This paragraph provides that the applicant agrees to be bound by all provisions of the application and the District's rules, regulations, and Tariff. This provision is based on various sections of the Tariff which require a customer's compliance with the District's rates, rules, and regulations. In Section IA (Definitions), Subsection 6, service charges to the customer are authorized for a failure to comply with the District's rates, rules, and regulations. In Section VIII (Payment of Bills), Subsection 7, the Tariff provides that in the event water service is disconnected for failure to comply with the District's rates, rules, and regulations, a service charge may be added to the customer's bill. And in Section XIII (Service Connection Installations), Subsection 1, the Tariff provides that any prospective water customer desiring water service and installation of a service connection, should apply at the District's office, and the prospective customer shall, in signing a water service connection contract, agree to be bound by all of the provisions of the District's rates, rules, and regulations.

Section B – Paragraph (g)

This paragraph provides that the applicant agrees that the application is a legally binding contract of the applicant. This provision clearly establishes the existence of a binding and enforceable contract between the District and the applicant.

Section B – Paragraph (h)

This paragraph notifies and discloses to the applicant the applicant's right to review the District's Tariff, including the Customer Bill of Rights in Section V, and provides direct contact information for the Public Service Commission through which the applicant may further exercise his/her rights under Kentucky utilities law.

### Section B -- Sales Tax Information

This paragraph asks the applicant to disclose whether the property for which water service is being applied for is or is not the applicant's primary residence and whether it is or is not subject to Kentucky sales tax. The District is required to withhold sales tax in connection with water utility service provided to certain properties which are not the applicant's primary residence. The information provided by the applicant assists the District in complying with its tax withholding obligations.

### Section C – Spouses

If the applicant indicates that a spouse will be residing at the subject property, the District requests but does not mandatorily require that the spouse execute the application as a co-applicant. This creates a contractual relationship between the spouse and the District, and provides the District with a contractual basis to enforce the terms of the application jointly and severally against both spouses.

### Section D – Co-Tenants

If the applicant indicates that co-tenants will be residing at the subject property under a rental agreement, the District requests but does not mandatorily require that the co-tenants execute the application as co-applicants. This creates a contractual relationship between the co-tenants and the District, and provides the District with a contractual basis to enforce the terms of the application jointly and severally against all co-tenants. The contact information for the landlord under the rental agreement is required by the District so that the fee simple owner of the property can be identified. The District may have a need to enter the property for maintenance and repair of water utility lines and other facilities and may need to obtain permission from the fee simple owner. A copy of the signed rental agreement and picture identification is requested from the co-tenants to establish and verify the identities of the co-applicants, and that they are, in fact, named on the rental agreement as tenants authorized to occupy the leased unit.

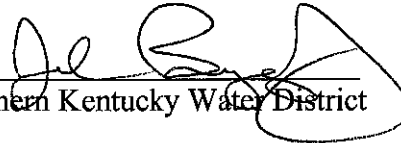
### Water Turn-On Release Form

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We wish to reiterate and clarify that service has not been denied to any customer for incomplete information on any application submitted to us. However, as specified in the tariff, service may be denied for failure to comply with any of the provisions of our filed tariff. If there

are any further questions or issues, NKWD would be glad to meet and discuss these at a time designated by you.

Very truly yours,

By:   
Northern Kentucky Water District

Attachments:  
Individual Service Application  
Business Service Application



**NORTHERN KENTUCKY WATER DISTRICT**

**Response to Commission Staff's Second Request for Information**

**CASE NO. 2022-00161**

**WITNESS – Stacey Kampsen**

**Q.20. Refer to Northern Kentucky District's Application for Water Service(Residential), B. Agreements, subsection e, which states that all adults members of the applicant's household who benefit from the provision of water service are jointly and severally liable for payment of services rendered to that service location and that Northern Kentucky District can deny any future application for water service to any service location by any of those persons until the indebtedness is paid.**

**a. Explain the legal basis for holding all adult members of the applicant's household jointly and severally liable for the payment of services rendered to that service location, even when they are not considered co-applicants.**

**b. Explain the legal basis for denying a future application for water service to any service location by any of those persons until the indebtedness is paid, even when they are not considered co-applicants.**

**A.20.**

**a.** Based on conversations with legal counsel, NKWD can hold all adult members of the service location liable for the payment of services rendered under a claim of unjust enrichment which requires three elements be met: (1) a benefit conferred upon defendant at plaintiff's expense; (2) a resulting appreciation of benefit by defendant; and (3) inequitable retention without payment for its value. See Jones v. Sparks, 297 S.W.3d 73, 78 (Ky. App. 2009).

Please note that NKWD uses the provision primarily to further deter applicants from attempting to avoid non-payment of past due balances and defraud NKWD by placing services in fictitious entities or individual names.

**b.** Please see response to subpart a. above. Please note that services only "may" be denied. As noted in response to Question 19, if an applicant for new service has a past due debt from another service location, service would not be denied but that debt will be transferred to the new account for payment.