

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)
WATER DISTRICT FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY FOR THE) CASE NO. 2012-00583
CONSTRUCTION OF SUB DISTRICT I WATER)
MAIN EXTENSION, FINANCING AND)
SURCHARGE)

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO NORTHERN KENTUCKY WATER DISTRICT

Pursuant to 807 KAR 5:001, Northern Kentucky Water District ("Northern District") is to file with the Commission no later than February 25, 2013, an original and one electronic copy of the following information. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Northern District shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Northern District fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. At paragraph 7 of its Application, Northern District states that the cost of the Sub-District I project ("Project I") is \$919,323. It further states the sources for funding of Project I is \$944,323 as:

2008 State Budget Grant administered by KIA	\$	500,000
Contribution from Kenton Count Fiscal Court		25,000
2007 Bond Anticipation Note ("2007 BANS")		250,000
Customer Contribution		169,323
Total Project Funding	\$	<u>944,323</u>

Explain the apparent difference in the budget cost and the funding available for Project I.

2. Northern District proposes to use \$250,000 of its 2007 BANS to fund Project I.

a. State whether Northern District has converted its 2007 BANS into long-term debt.

b. If the 2007 BANS have been converted into long-term debt, state the date on which the 2007 BANS were converted and provide the case number of the Commission proceeding in which Northern District was authorized to issue the long-term debt.

c. State whether Northern District has deposited the \$250,000 of its 2007 BANS into a segregated account specifically established for this project.

d. If the response to Item 2(a) is no, describe how Northern District can trace funds obtained from a 2007 BANS issuance to a construction project being constructed in 2013.

3. State whether the Water Resource Information System ("WRIS") has assigned the proposed construction project the identifier "WX21117207".

4. a. Describe how Northern District projected customer contributions for Project I at \$169,323. Show all calculations, state all assumptions, and provide all work papers used to make the projection. Provide a detailed calculation supporting Northern District's projected Project I customer contribution of \$169,323.

b. In Exhibit D of the Application, Northern District estimates that a potential 66 new customers could be added in the Project I territory, but estimates that only 50 percent of these potential customers will request service. Describe how Northern District determined that 66 potential customers were in the area.

c. The WRIS reports that, based upon a survey, approximately 97 households exist in the area to be served by the proposed project. Explain why Northern District estimates a lower number of households in the Project I territory.

d. Using the projected customer level of 33, the requested monthly surcharge of \$30, and a 25-year loan term,¹ Commission Staff calculates a potential customer contribution of \$297,000.² Explain why \$297,000 is not the appropriate level for the customer contribution component of the Project I funding calculation.

¹ Exhibit D, Debt Service: \$58,848 over 25 years.

² \$30 (Monthly Surcharge) x 33 (Customers) x 12 (Months) x 25 (Years) = \$297,000.

5. a. Northern District states that its tariff allows it to “initiate the extension of mains, but only if the customer pays for 100 feet of the main extension based on the cost of an eight inch main.” For Project I, Northern District has determined that each customer would be required to pay an upfront main extension charge of \$6,584. Describe how Northern District arrived at the main extension charge of \$6,584. Show all calculations, state all assumptions, and provide all work papers used to make the projection.

b. Dividing the \$6,584 main extension charge by 300 months,³ the Commission calculates a monthly customer charge of \$21.95.⁴ Explain why it is more appropriate to charge each Sub-District I customer a surcharge of \$30 per month rather than a monthly surcharge of \$21.95.

6. Refer to the Application, Exhibit D at 1.

a. State whether the projected revenue of \$17,908 is based on the initial rate adjustment that the Commission authorized in Case No. 2012-00072.⁵

b. If the projected revenue of \$17,908 is not based on the initial rate adjustment that the Commission authorized in Case No. 2012-00072, provide the calculation of the projected revenue using those rates.

c. Given that Northern District projects an increase in depreciation and debt service of \$73,557, but only an offsetting increase to operating revenues of \$17,908, explain how Project I is financially feasible without a subsidization from Northern District’s existing customers.

³ 25 (Loan Term) x 12 (months) = 300.

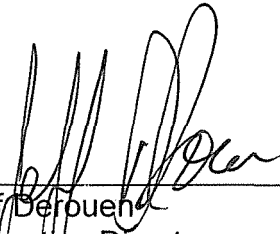
⁴ \$6,584 (Main Extension Charge ÷ 300 (Months) = \$21.95.

⁵ Case No. 2012-00072, *Application of Northern Kentucky Water District for an Adjustment of Rates, Issuance of Bonds, and Financing* (Ky. PSC Dec. 20, 2012).

7. List and describe all factors, in addition to street density, that Northern District considered when developing the boundaries for Sub-District I. For each factor listed, state the weight given to that factor.

8. Provide a copy of the minutes of each meeting of Northern District's Board of Commissioners in which the proposed Sub-District I was discussed.

9. Provide, if known, the median household income within proposed Sub-District I.



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DATED: FEB 14 2013

cc: Parties of Record

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