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March 30, 2011

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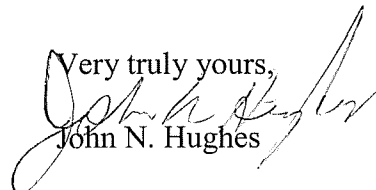
PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Case No. 2010-00094

Dear Mr. Derouen:

Northern Kentucky Water District submits the Quarterly Report on the status of implementation of monthly billing as required in the final order in this case.

Very truly yours,

John N. Hughes

Attorney for Northern Kentucky
Water District

CC: Attorney General



**Status Report
Implementation of Monthly Billing
March 31, 2011**

**As Required by January 7, 2011 Order In
Case 2010-00094**

Overview

As required by the order issued on January 7, 2011 in Case 2010-00094, Northern Kentucky Water District is to file a report with the Kentucky Public Service Commission beginning March 31, 2011 and every quarter thereafter on the status of efforts to implement monthly billing for its residential customers. This is the first of such reports and describes the analysis that NKWD is currently engaged in to analyze the requirements to implement monthly billing for our retail customers.

Costs

The District has began the process of looking at the incremental O&M costs that would be incurred in order to produce bills monthly, read the meters, provide for additional staff, process additional credit card and lockbox transactions, postage for mailing additional bills and notices, and some additional costs for miscellaneous items. The costs are being accumulated and projected over a ten year period with projected interest income received through receiving our cash earlier netted against expenses. The costs to be determined will ultimately have an effect on rates through the O&M contribution to our revenue requirement. These costs will be formulated and reported in future periodic reports.

Leaks and Billing Disputes

One of the intrinsic benefits of the AMR system installed (Badger Orion) is that the District now has the capability of “data profiling”. This allows us to review up to 2.4 years of data from the reads that occur every hour from a particular meter. The District can then pinpoint exactly when the high consumption occurred and the time of its duration. This has allowed us to easily settle many billing disputes by presenting the customer with data that illustrates the exact timing of the consumption in dispute. It will also allow us to determine exactly when a leak began, the increased consumption during the leak, and verification when the situation is corrected. It has allowed us to be more fair and accurate with billing adjustments that fit within the definitions of our tariff. This has been achieved while still maintaining our quarterly billing practice due to our new data retrieval capabilities.

In the near future, Badger will be offering a new line of monitors that will be available to customers to provide an on demand visual display of the actual meter reading as well as a leak indicator should continuous meter movement occur for a 24 hour period. This will let the customer know “real time” what their consumption is and should allow them to control their own usage patterns and should assist in conservation efforts. This should also eliminate the surprise high billing that generates the billing disputes whether by leak or high usage.

Customer Opinion

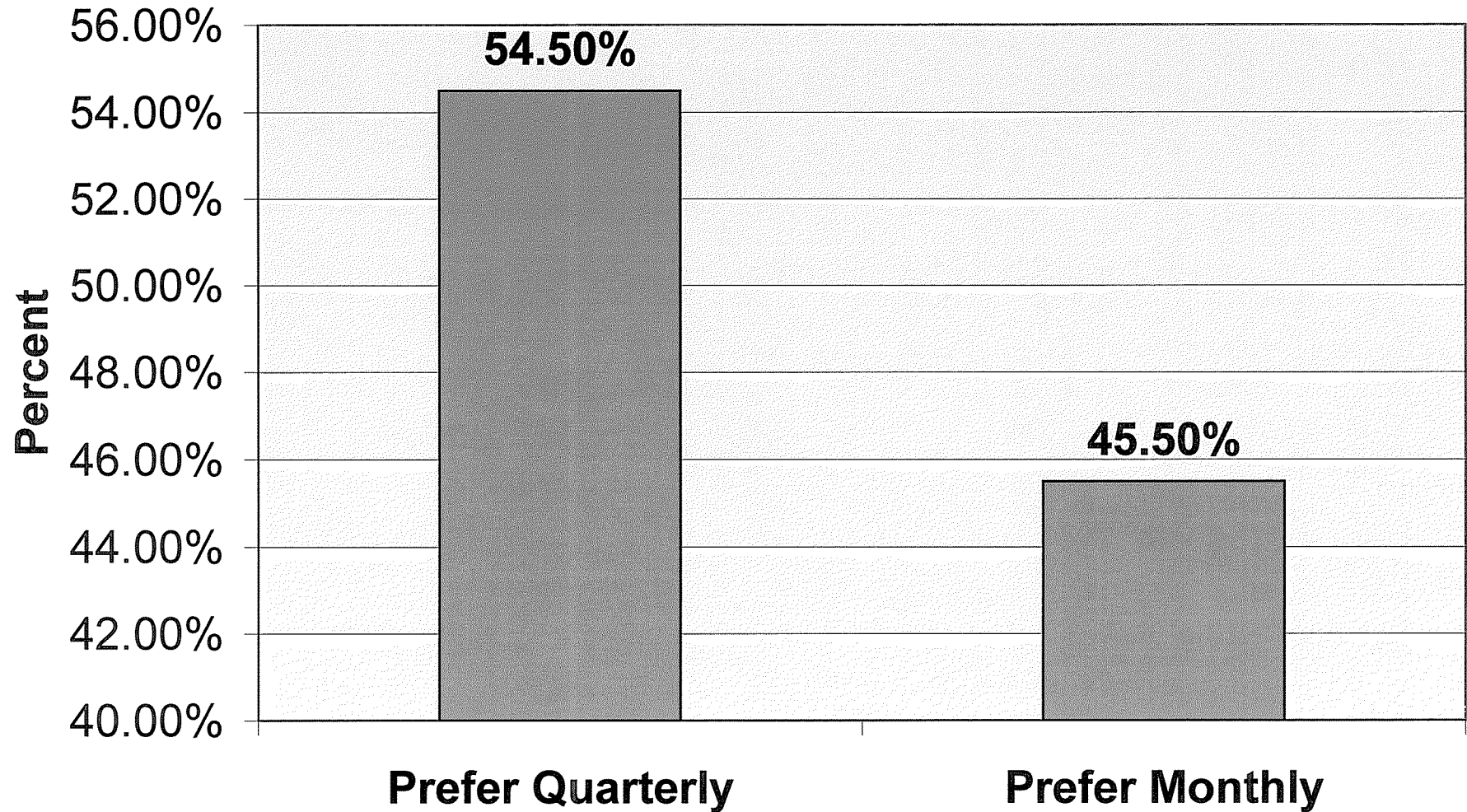
The customer base is ultimately our “bosses” and we value their preferences and opinions on how we deliver service. We put the monthly versus quarterly billing issue out to the customers for their feedback. We put a survey on our web site, have opinion forms in our lobby for walk up customers, posted a message on our bills for participation on line or by phone, and have encouraged customers to participate during regular phone interaction. The survey began with very simply asking would you prefer quarterly billing or monthly billing. Of 356 respondents, 54.50% prefer quarterly billing while 45.50% preferred monthly. The question was then refined asking the same question with the additional issue which would you prefer if additional cost is required. Through March 19, 2011 and 385 respondents, those that prefer quarterly billing were 76.10% while those preferring monthly numbered 23.90%. The customers were also allowed to make comments why they made the choice. Those for quarterly discussed the need to avoid higher costs both for the customer and the District by processing fewer bills and payments with one comment saying “why fix it if it is not broken” and another customer said they hated it when our local Sanitation District went to monthly billing. Those preferring monthly mostly commented on the ease of budgeting as the important factor.

Summary

The District feels that we can address customer needs with the use of the technology we have in place without necessarily going to monthly billing. We are assessing the potential increase in Operation and Maintenance expenses and the negative impact on rates in a time when we are under intense scrutiny for our ever increasing rates. We would also be following the desires of our customer base through the sample of respondents who clearly wish to remain on quarterly billing when understanding the cost impact on our operation. The District is always looking for opportunities to be more cost efficient while at the same time providing a high level of service to our customers. The combination of quarterly billing with the utilization of the technological benefits of the Badger Orion system lets us keep our costs down while providing fair treatment of our rate payers.

Initial Survey Qtrly. Vs. Monthly

356 Respondents



Second Survey Qtrly. Vs. Monthly (Cost Considered) 385 Respondents

