

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN WATER)
COMPANY FOR AN ORDER AUTHORIZING THE)
ISSUANCE AND SALE OF ITS GENERAL)
MORTGAGE BONDS, 7.15% SERIES, DUE)
FEBRUARY 1, 2007, IN THE PRINCIPAL AMOUNT) CASE NO. 96-607
OF \$7,500,000 AND FURTHER AUTHORIZING THE)
ISSUANCE AND SALE OF 58,634 SHARES OF)
ITS COMMON STOCK FOR AN AGGREGATE)
CONSIDERATION OF \$2,000,000)

O R D E R

On December 13, 1996, Kentucky-American Water Company ("Kentucky-American") filed its application seeking authority to issue and sell \$7,500,000 of its general mortgage bonds at 7.15 percent interest and 58,634 shares of its common stock for an aggregate consideration of \$2,000,000. The proceeds will be used to: (1) repay short-term debt at the date of closing, which debt was in the amount of \$1,580,238 as of September 30, 1996; (2) satisfy 1997 sinking fund obligations of outstanding securities in the amount of \$48,000; (3) fund the payment of principal and accrued interest at maturity of the 8.55 percent Series Bonds due February 1, 1997, which have an outstanding principal balance of \$6,000,000; and (4) fund ongoing construction projects in the amount of \$5,622,404 at December 31, 1996.

The proposed bonds are to be sold to Allstate Life Insurance Company of New York. Upon approval and closing, Kentucky-American will simultaneously issue and sell its

common stock to American Water Works Company, Inc. in order to remain in compliance with applicable capitalization provisions of its Indenture of Mortgage.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance and sale by Kentucky-American of \$7,500,000 of its general mortgage bonds at 7.15 percent interest and 58,634 shares of its common stock for a consideration of \$2,000,000 are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, are reasonably necessary and appropriate for such purposes, and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky-American is authorized to issue and sell \$7,500,000 of its general mortgage bonds at 7.15 percent interest and 58,634 shares of its common stock for a consideration of \$2,000,000.
2. Kentucky-American shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the purchasers, all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance and distribution and the use of the proceeds.
3. Kentucky-American shall agree only to such terms and prices that are consistent with said parameters as set out in its application.
4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 3rd day of February, 1997.

PUBLIC SERVICE COMMISSION

Linda K. Breathitt
Chairman

Evan J. Hines
Vice Chairman

B. J. Helton
Commissioner

ATTEST:

Don Mills
Executive Director