

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUN 02 2010

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:)

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR ISSUANCE)
OF INDEBTEDNESS AND CONTINUED)
PARTICIPATION WITH AMERICAN WATER)
CAPITAL CORP.)

~~CASE NO. 2009-00156~~

2010-00232

NOTICE OF ISSUANCE AND MOTION FOR WAIVER

In the Commission's May 29, 2009 Order in this matter, it authorized Kentucky-American Water Company ("KAW") to continue its participation in the American Water Capital Corporation borrowing program and to issue securities in the form of notes or debentures of up to \$104.5 million prior to November 1, 2010. Since that Order was issued, KAW has taken advantage of two opportunities to displace a portion of that \$104.5 million with tax-exempt bonds. Those two tax-exempt bond issuances (the first was for \$45.39 million and the second was for \$26 million) were addressed and approved by the Commission in its May 29, 2009 and August 21, 2009 Orders in this case. Both of those bond deals closed in 2009. Due to their tax-exempt nature, those two issuances generate an annual savings for KAW customers of approximately \$720,000.¹

KAW now has an opportunity to displace another portion of the \$104.5 million with another tax-exempt private activity bond issuance. KAW applied for and received authority to issue another \$26 million in tax-exempt private activity bonds for the purpose of financing the new water treatment plant and related facilities approved by the Commission in Case No. 2007-

¹ See KAWC's August 7, 2009 and September 17, 2009 filings in this case.

00134.² The total of the tax-exempt issuances will be \$97.39 million, and, thus, will be below the total amount of \$104.5 million authorized by the Commission in this case. KAW will be submitting its President's and Treasurer's certification that this issuance will not exceed the total amount authorized by the Commission as required by Ordering Paragraph 4 of the Commission's May 29, 2009 Order in the next several days.

The closing on the tax-exempt private activity bonds is scheduled to occur on June 24, 2010. However, due to complications that needed to be resolved with one of the parties to the transaction, KAW was uncertain until very recently that the transaction was even going to occur. At this time, it appears that the transaction will occur. Therefore, as required by Ordering Paragraph 2 of the Commission's August 21, 2009 Order, KAW is providing notice to the Commission of this third tax-exempt private activity bond issuance in the amount of \$26 million. Due to the uncertainty that existed related to this transaction, KAW did not provide notice under that ordering paragraph 30 days in advance of the transaction.

Now, given the likelihood of the transaction occurring, KAW provides the notice herein and moves the Commission for a waiver of the 30 day advance notice requirement set forth in Ordering Paragraph 2 of the Commission's August 21, 2009 Order. The requested waiver would be for eight days (there are 22 days between the date of this filing, June 2, and the date the transaction will close, June 24).³ Finally, KAW respectfully requests the Commission rule on this motion as expeditiously as possible (preferably within the next 7-10 days) so that KAW can take all steps necessary to complete the transaction that will generate additional savings for its customers.

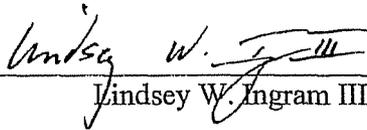
² Please see the attached approval documentation.

³ Note that KAW's pending rate case testimony (Case No. 2010-00036) specifically discusses the subject June 2010 \$26 million tax-exempt issuance and includes it as part of the capital structure proposed in that case. (See Direct Testimony of Michael A. Miller, p. 12). Thus, as of February 26, 2010, the Company had apprised the Commission of the possible issuance.

A.W. Turner, Jr., General Counsel
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502

and

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BY: 
Lindsey W. Ingram III

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**Office of Financial Management
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Steven L. Beshear
Governor

Jonathan Miller
Secretary

F. Thomas Howard
Executive Director

April 13, 2010

Mr. Spencer E. Harper, Jr.
Stoll Keenon Ogden
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202-2828

Re: Private Activity Bond Allocation Committee – 2010 Local Issuer Pool Applicants

Dear: Mr. Harper:

Per the attached confirmation, the Kentucky Private Activity Bond Allocation Committee (“KPABAC”) has allocated a portion of the state ceiling to the identified company/issuer from the 2010 Local Issuer Pool. Pursuant to 200 KAR 15:010, the bond issue must close within 90 days (June 29, 2010) to qualify under the CY2010 cap. A Notice of Issuance must be filed with KPABAC following placement of the bonds.

Kentucky American Water Company \$26,000,000.00

Please contact the Office of Financial Management at (502) 564-2924 if you have any questions.

Sincerely,

F. Thomas Howard
Executive Director

Attachments



CONFIRMATION NO.: 1
DATE: April 13, 2010



KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE

702 Capitol Avenue, Suite 76
Frankfort, KY 40601
(502) 564-2924

Issuer Name: County of Owen
Borrower/User: Kentucky American Water Company
Bond Counsel: Spence E. Harper, Jr.
Address: 2000 PNC Plaza, 500 West Jefferson Street
City: Louisville, Kentucky 40202-2828

Confirmation Type:
 Original
 Renewal
 Supplemental

Confirmation is hereby given that \$26,000,000 of the state ceiling for private activity bonds for the Commonwealth of Kentucky for CY2010 has been allocated to the bond issue described by the above referenced Notice of Intent Number. This Confirmation is numbered and dated and is effective only in accordance with the terms of state and federal law. This allocation has been made from the:

Local Issuer Pool
Available Volume Cap Lottery Pool
State Issuer Pool

This allocation of the state ceiling shall expire on: June 29, 2010 pursuant to the provisions of 200 KAR 15:010. The undersigned officer executing and responsible for this confirmation and allocation hereby swears and certifies under penalty of perjury that the allocation was not made in consideration of any bribe, gift, gratuity or direct or indirect contribution of any political campaign.



Kentucky Private Activity Bond Allocation Committee