

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, 9.71% SERIES, DUE )  
SEPTEMBER 1, 1998, IN THE PRINCIPAL ) CASE NO. 10351  
AMOUNT OF \$6,000,000, AND FOR THE )  
ISSUANCE AND SALE OF 151,917 SHARES )  
OF ITS COMMON STOCK FOR A CONSIDERATION )  
OF \$4,000 )

O R D E R

On August 15, 1988, Kentucky-American Water Company ("Kentucky-American") filed an application seeking authority to issue and sell the following securities: (1) General Mortgage Bonds, 9.71 percent series, due September 1, 1998 with a principal amount of \$6,000,000 to American United Life Insurance Company; and (2) 151,917 shares of its common stock to American Water Works Company, Inc. for a consideration of \$4,000,000. The selling of the common stock would be contingent upon the approval and closing of the 9.71 percent series bonds.

Kentucky-American would use the proceeds from the sale of the bonds and common stock to (1) repay short-term bond debt as of June 30, 1988; (2) to satisfy the 1988 sinking fund requirements on outstanding securities; (3) to fund construction during 1988; and (4) to pay the expense of issuance.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that the issuance and

sale of the above securities by Kentucky-American are for the lawful object within the corporate purposes of Kentucky-American's utility operations, are necessary and appropriate for and consistent with the proper performance of its service to the public, and will not impair its ability to perform that service, and are reasonably necessary and appropriate for such purpose and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky-American be, and it hereby is, authorized to issue, sell, and deliver subsequent to the issuance of this Order, General Mortgage Bonds, 9.71 percent series, with an aggregate principal amount not to exceed \$6,000,000 to American United Life Insurance Company.

2. Kentucky-American be, and it hereby is, authorized to issue, sell, and deliver subsequent to the issuance of this Order, 151,917 shares of its common stock to American Water Works Company, Inc. for a consideration of \$4,000,000.

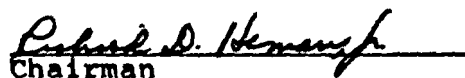
3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes as set out in the application.

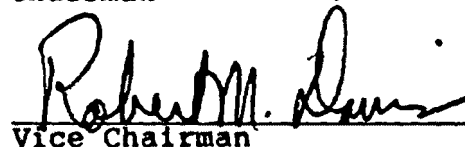
4. Kentucky-American shall, as soon as reasonably possible after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commission or other compensation involved in the issuance and distribution.

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 1st day of September, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director