

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, |) | |
| 7.21% SERIES, DUE DECEMBER 1, 2002 |) | |
| IN THE PRINCIPAL AMOUNT OF |) | CASE NO. 92-451 |
| \$13,000,000, AND FURTHER AUTHORIZ- |) | |
| ING THE ISSUANCE AND SALE OF |) | |
| 83,139 SHARES OF ITS COMMON STOCK |) | |
| FOR AN AGGREGATE CONSIDERATION |) | |
| OF \$2,500,000 |) | |

O R D E R

On October 20, 1992, Kentucky-American Water Company ("Kentucky-American") filed its application seeking authority to issue and sell \$13,000,000 of its general mortgage bonds at 7.21 percent interest and 83,139 shares of its common stock for an aggregate consideration of \$2,500,000. The proceeds will be used to repay short-term bank debt at the date of closing, which debt was in the amount of \$286,568 as of September 30, 1992 and was incurred to fund construction and the redemption of all of the 9.78 percent Series bonds outstanding on October 1, 1992 in the principal amount of \$920,000 plus accrued interest and premium of \$12,309; to fund 1992 sinking fund obligations in the amount of \$60,000; to redeem all 10 percent Series bonds outstanding on December 1, 1992 in the principal amount of \$2,100,000 together with accrued interest of \$105,000; to fund the payment of principal and interest at maturity of the 14 percent Series bonds due

December 1, 1992 in the amount of \$6,420,000; to pay the cost of issuance estimated to be \$97,500; and to assist in funding ongoing construction projects as reflected in Appendix A.

The proposed bonds are to be sold to Nationwide Life Insurance Company. 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 \$13,000,000 of its general mortgage bonds at 7.21 percent interest and 83,139 shares of its common stock for a consideration of \$2,500,000 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, and will not impair its ability to perform that service, and are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky-American be and it hereby is authorized to issue and sell \$13,000,000 of its general mortgage bonds at 7.21 percent interest and 83,139 shares of its common stock for a consideration of \$2,500,000.

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, and all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance and distribution.


3. Kentucky-American shall agree only to such terms and prices that are consistent with said parameters as set out in its application.

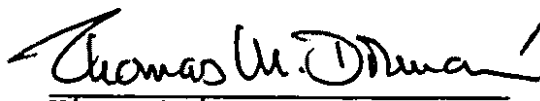
4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

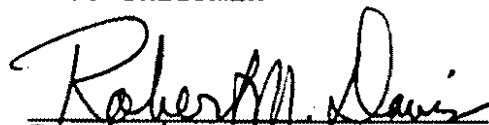
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 17th day of December, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 92-451 DATED DECEMBER 17, 1992.

CONSTRUCTION

| | |
|---------------------------------------|--------------------|
| Routine Construction 1992 | \$ 539,752 |
| Major Projects: | |
| Chemical Feed Building, KRS | \$2,148,454 |
| 24" Jack's Creek - Nicholasville Road | 897,000 |
| RRS Expansion | 206,025 |
| Design and Renovate Office Complex | 220,000 |
| Surface Washes and Weirs, KRS | 1,045,300 |
| Develop Ohio River Supply | <u>660,000</u> |
| TOTAL | <u>\$5,716,531</u> |