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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF KENTUCKY-)
AMERICAN WATER COMPANY AND)
TRI-VILLAGE WATER DISTRICT FOR) Case No. 2007 -00367
APPROVAL OF A CHANGE IN CONTROL OF)
TRI-VILLAGE WATER DISTRICT)

APPLICATION

1. Kentucky American Water Company ("KAW") and Tri-Village Water District ("Tri-Village") (hereinafter collectively referred to as "Applicants"), pursuant to KRS 278.020 and any other appropriate statutory and regulatory authority, request that the Public Service Commission of Kentucky approve the transfer of Tri-Village's interest in the New Columbus Facility and its remaining cash assets to KAW (the "Proposed Transaction"). The Proposed Transaction is in the public interest and will result in the continuous and seamless provision of reliable service by KAW to all of its customers at just and reasonable rates.

2. The name, mailing and e-mail addresses, and telephone and facsimile numbers of the Applicants' attorneys are as follows:

A.W. Turner, Jr.
General Counsel
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
Telephone No.: 859-268-6339
Facsimile No.: 859-268-6327
A.Turner@amwater.com

Lindsey W. Ingram III
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone No.: 859-231-3982
Facsimile No.: 859-246-3672
L.Ingram@skofirm.com

3. KAW is a wholly-owned subsidiary of American Water and is a corporation organized and existing under the laws of the Commonwealth of Kentucky with its principal office and place of business in Lexington, Fayette County, Kentucky. It is engaged in the distribution and sale of water in its Central Division, consisting of Bourbon, Clark, Fayette, Harrison, Jessamine, Scott and Woodford Counties and its Northern Division consisting of Gallatin, Grant and Owen Counties. The post office address of KAW is 2300 Richmond Road, Lexington, KY 40502. KAW currently owns, operates and maintains potable water production, treatment, storage, transmission and distribution systems for the purpose of furnishing potable water for residential, commercial, industrial and governmental users in its service territory. KAW also owns, operates, and maintains collection, pumping and/or treatment systems for the purpose of furnishing wastewater service for residential, commercial, industrial and governmental users in its service territory. KAW is a corporation, and a certified copy of its Articles of Incorporation, together with all amendments thereto, are incorporated herein by

reference as authorized by 807 KAR 5:001, Section 10, (1), (b), 3 and Section 8, (3), and were filed as Filing Exhibit No. 4 in Case No. 95-554, Notice of the Adjustment of the Rates of Kentucky-American Water Company Effective on and after February 29, 1996.

4. Tri-Village is a water district organized under KRS Chapter 74. Its business address is 3700 Highway 127 N, Owenton, Kentucky 40359.

5. By an Order dated June 8, 2001, in Case No. 2001-00094, KAW was authorized to acquire all of the tangible assets of Tri-Village devoted to the provision of water service and did so on August 2, 2001. Tri-Village remained in existence to secure a grant from the Kentucky Infrastructure Authority to build a distribution main known as the New Columbus Facility. The grant was secured, and, with a contribution from KAW, the main was built and is now co-owned by Tri-Village and KAW.

6. KAW uses the main to transport water it produces from facilities it acquired from the City of Owenton to KAW customers. KAW performs all maintenance on the main and collects all revenues from customers served by the main. Tri-Village has no customers, produces no water and purchases no water. Its only assets are its share of the New Columbus Facility and approximately \$22,500 in cash.

7. The Commission's June 8, 2001, Order approved the acquisition of Tri-Village's assets, which, at that time, did not include the New Columbus Facility. Additionally, Tri-Village's Board of Commissioners now wishes to cease all operations, dissolve¹ itself, and transfer its current cash assets – approximately \$22,5000 – to KAW, which assets will be used for the construction of a water distribution main to serve Stewarts Lane in Owen County. KAW will construct, own and operate the Stewarts Lane distribution main.

¹ Contemporaneous with the filing of this Application, Tri-Village has filed an application with the Commission for approval of the dissolution of Tri-Village pursuant to KRS 74.367(1).

8. The transfer of the New Columbus Facility and the cash assets on hand will result in a conveyance of all assets held by Tri-Village, and, therefore, is effectively a change in control of Tri-Village as contemplated by KRS 278.020. Therefore, Applicants seek approval of the Proposed Transaction and the resulting change in control of Tri-Village.

9. The Commission has encouraged Kentucky American Water to become a regional supplier of water. It said in Case No. 92-0083: "The Commission commends Kentucky-American for pursuing the goal of serving as a regional water supplier." (Order dated October 1, 1985, p. 14). It said in Case No. 89-00348: "The Commission has and will continue to encourage Kentucky-American to become a regional supplier of water for the very reasons stated above." (Order dated June 28, 1990, p. 24). It also said in Case No. 2004-00103: "We continue to encourage larger water suppliers to expand their facilities and absorb smaller water systems that are incapable of meeting the rising costs of providing safe and quality water service." (Order dated February 28, 2005, p. 9). For the reasons set forth in Case No. 2001-0094, the Commission approved KAW's acquisition of the then-existing assets of Tri-Village. The Proposed Transaction completes that acquisition by conveying all remaining assets of Tri-Village to KAW.

10. Kentucky American Water has proven it has the financial, technical, and managerial abilities to skillfully and efficiently operate the former Tri-Village systems since it acquired them and those abilities will be utilized in the operation and maintenance of all assets acquired in the Proposed Transaction. Likewise, KAW customers who are already being served by the New Columbus Facility by virtue of KAW's operation and maintenance of that facility will continue to be served. The transition will be seamless and unnoticed by those customers.

11. The Proposed Transaction and resulting change in control of Tri-Village will not adversely impact KAW's rates or its policies with respect to service to customers, employees, operations, financing, or other matters affecting the public interest or utility operations.

WHEREFORE, for the foregoing reasons, the Applicants respectfully request that the Commission approve this Application pursuant to KRS 278.020 and authorize the Proposed Transaction and the resulting change in control of Tri-Village.

Respectfully submitted,

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

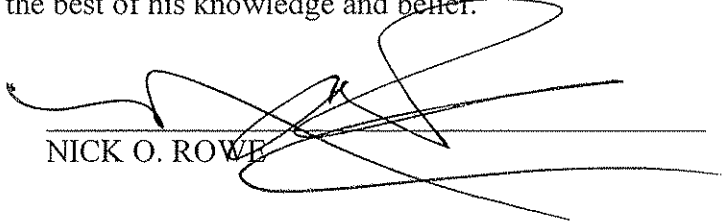
and

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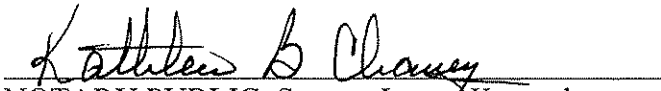
VERIFICATION

Nick O. Rowe, after having been duly sworn, states that he is President of Kentucky-American Water Company, is authorized to make this verification on behalf of the company, that he has read the contents of the foregoing Application and hereby verifies that the statements contained therein are true and accurate to the best of his knowledge and belief.



NICK O. ROWE

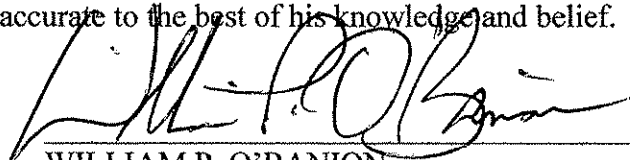
Subscribed and sworn to before me this the 16 day of August, 2007.



NOTARY PUBLIC, State at Large, Kentucky
My Commission expires: 9/28/2010


VERIFICATION

William P. O'Banion, after having been duly sworn, states that he is County Judge Executive for Owen County, Kentucky and the Appointing Authority of the Tri-Village Water District Board, that he is authorized to make this verification on behalf of Tri-Village Water District, that he has read the contents of the foregoing Application and hereby verifies that the statements contained therein are true and accurate to the best of his knowledge and belief.



WILLIAM P. O'BANION

Subscribed and sworn to before me this the 2nd day of August, 2007.



NOTARY PUBLIC, State at Large, Kentucky
My Commission expires: 8-29-2010