

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, )  
8.55% SERIES DUE FEBRUARY 1, 1997, )  
IN THE PRINCIPAL AMOUNT OF ) CASE NO. 9763  
\$6,000,000 AND FOR THE ISSUANCE )  
AND SALE OF 104,651 SHARES OF )  
COMMON STOCK FOR A CONSIDERATION )  
OF \$2,700,000 )

O R D E R

On November 12, 1986, Kentucky-American Water Company ("Kentucky-American") filed an application seeking authority to issue and sell General Mortgage Bonds, 8.55% series ("General Mortgage Bonds") in a principal amount of \$6,000,000. Kentucky-American also sought permission to issue and sell 104,651 shares of its common stock to American Water Works Company, Inc., for \$2,700,000. In its application, Kentucky-American stated that the issuance and sale of the General Mortgage Bonds and common equity was necessary to maintain adequate coverage ratios and a reasonable mix of debt and equity in the capital structure. The proceeds from the sale of the aforementioned securities would be used to repay short-term debt, satisfy the 1986 sinking fund requirements on outstanding securities, fund construction during 1987 and pay the expense of issuance.

The Commission, after considering the application and all the evidence of record and being advised, is of the opinion and finds

that Kentucky-American's proposed issuance and sale of General Mortgage Bonds, in a principal amount of \$6,000,000, and its issuance and sale of 104,651 shares of common stock to American Water Works Company, Inc., for \$2,700,000, are for lawful objects within the corporate purposes of Kentucky-American, are necessary and appropriate for and consistent with the proper performance by Kentucky-American of its service to the public, will not impair its ability to perform that service and are reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that:

1. Kentucky-American be and it is hereby authorized to issue and sell General Mortgage Bonds, 8.55% series due February 1, 1997, for a principal amount of \$6,000,000.

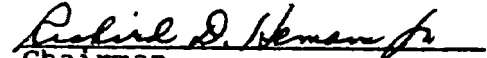
2. Kentucky-American be and it is hereby authorized to issue and sell 104,651 shares of its common stock to American Water Works Company, Inc., for \$2,700,000.


3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes as 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 25th day of November, 1986.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director