

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, 9.37%	)	
SERIES, DUE NOVEMBER 1, 2019, IN	)	CASE NO. 89-266
THE PRINCIPAL AMOUNT OF \$8,000,000	)	
AND FOR THE ISSUANCE AND SALE OF	)	
73,367 SHARES OF ITS COMMON STOCK	)	
FOR A CONSIDERATION OF \$2,000,000	)	

O R D E R

On September 22, 1989, Kentucky-American Water Company ("Kentucky-American") filed its application seeking authority to issue and sell \$8,000,000 of its general mortgage bonds at 9.37 percent interest and 73,367 shares of its authorized but unissued common stock for a consideration of \$2,000,000. The \$10,000,000 proceeds will be used to repay short-term bank debt in the amount of \$6,446,815 as of June 30, 1989, which was incurred to fund construction, to fund 1989 sinking fund payments in the amount of \$168,000, to pay the cost of issuance estimated to be \$60,000, and to pay for additional construction, completion, extension or improvement of the plant and distribution system of Kentucky-American. The proposed bonds are to be sold to First Colony Life Insurance Company, and the proposed shares of stock are to be sold to American Water Works Company, Inc.

The Attorney General's Office, Utility and Rate Intervention Division ("AG"), intervened in this case, and on October 18, 1989,

the AG filed a motion requesting that Kentucky-American be required to file a statement detailing the property to be constructed with the proceeds of the proposed financing and maps, plans, and detailed estimates of the proposed construction. On October 19, 1989, the Commission granted the AG's motion, and on October 30, 1989, Kentucky-American filed the information requested.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance and sale by Kentucky-American of \$8,000,000 of its general mortgage bonds at 9.37 percent interest and 73,367 shares of its common stock for a consideration of \$2,000,000 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 \$8,000,000 of its general mortgage bonds at 9.37 percent interest and 73,367 shares of its common stock for a consideration of \$2,000,000.

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 under-

writing discounts or commission or other compensation, involved in the issuance and distribution.

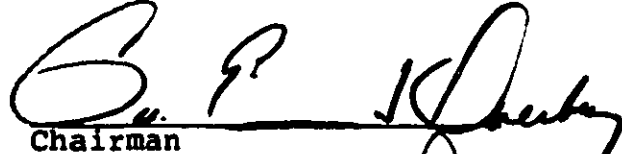
3. Kentucky-American shall agree only to such terms and prices that are consistent with said parameters as set out in its application.

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 , 8th day of November, 1989.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

\_\_\_\_\_  
Commissioner

ATTEST:

\_\_\_\_\_  
Executive Director