

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

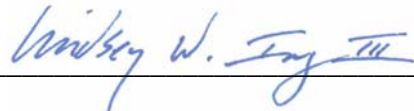
**THE JOINT PETITION OF KENTUCKY-)
AMERICAN WATER COMPANY, THAMES)
WATER AQUA HOLDINGS GMBH, RWE)
AKTIENGELLSCHAFT, THAMES WATER)
AQUA US HOLDINGS, INC., AND AMERICAN) CASE NO. 2006-00197
WATER WORKS COMPANY, INC. FOR)
APPROVAL OF A CHANGE IN CONTROL OF)
KENTUCKY-AMERICAN WATER COMPANY)**

NOTICE OF FILING

Joint Petitioners hereby give notice of their filing of the attached supplemental response to Item No. 1 of the LFUCG's First Request for Information and Item No. 7(c) of the Commission Staff's First Request for Information.

Respectfully submitted,

Lindsey W. Ingram, Jr.
Robert M. Watt III
Lindsey W. Ingram III
STOLL KEENON OGDEN PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone No. 859-231-3000
Facsimile No.: 859-253-1093

By: 

Attorneys for RWE Aktiengesellschaft,
Thames Water Aqua Holdings GmbH,
Thames Water Aqua US Holdings, Inc.,
American Water Works Company, Inc., and
Kentucky-American Water Company

CERTIFICATION

This is to certify that a true and accurate copy of the foregoing has been electronically transmitted to the Public Service Commission on February 2, 2007; that the Public Service Commission and other parties participating by electronic means have been notified of such electronic transmission; that, on February 5, 2007, the original and one (1) copy in paper medium will be hand-delivered to the Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; and that on February 2, 2007, one (1) copy in paper medium will be served upon the following via U.S. Mail:

Gregory D. Stumbo
David Edward Spenard
Laura Rice
Office of the Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601
david.spenard@ag.ky.gov
dennis.howard@ag.ky.gov
laura.rice@ag.ky.gov

Leslye M. Bowman
David J. Barberie
LFUCG
Department of Law
200 East Main Street
Lexington, Kentucky 40507
lbowman@lfucg.com
dbarberi@lfucg.com

Anthony G. Martin
P.O. Box 1812
Lexington, Kentucky 40588
agmlaw@aol.com

STOLL KEENON OGDEN PLLC

By 
Attorneys for Joint Petitioners

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE JOINT PETITION OF KENTUCKY-AMERICAN)
WATER COMPANY, THAMES WATER AQUA)
HOLDINGS GMBH, RWE AKTIENGESELLSCHAFT,)
THAMES WATER AQUA US HOLDINGS, INC.,) CASE NO. 2006-00197
AND AMERICAN WATER WORKS COMPANY,)
INC. FOR APPROVAL OF A CHANGE IN CONTROL)
OF KENTUCKY-AMERICAN WATER COMPANY)

SUPPLEMENTAL RESPONSE TO LFUCG'S INITIAL
REQUESTS FOR INFORMATION DATED JUNE 27, 2006

Item No. 1

Witness: Ellen Wolf / Mike Miller

1. Are the Petitioners aware of any jurisdiction in the United States in which a state regulatory Commission has approved an IPO-type change of control of a regulated utility? If so please provide all relevant information pertaining to all such cases including, but not limited to, the case number and jurisdiction, the type of utility and copies of final orders.

SUPPLEMENTAL RESPONSE:

In addition to the approvals identified in Petitioners' July 11, 2006, September 11, 2006 and January 29, 2007 responses to this request, the Proposed Transaction which is the subject of this Petition was approved by the Tennessee Regulatory Authority on January 30, 2007. Please see the attached.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 30, 2007

IN RE:)
)
PETITION OF TENNESSEE-AMERICAN) DOCKET NO.
WATER COMPANY FOR APPROVAL OF) 06-00119
CHANGE OF CONTROL)

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Director Eddie Roberson, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on June 26, 2006 for consideration of the *Petition of Tennessee-American Water Company for Approval of Change of Control* (the "*Petition*") filed by Tennessee-American Water Company ("TAWC" or "Petitioner") seeking approval of a transfer of authority pursuant to the provisions of Tenn. Code Ann. § 65-4-113 (2004).

The Petition

RWE Aktiengesellschaft ("RWE") is a foreign corporation organized and existing under the laws of the Federal Republic of Germany.

Thames Water Aqua Holdings GmbH ("Thames GmbH") is a foreign corporation organized and existing under the laws of the Federal Republic of Germany. It is a wholly-owned subsidiary of RWE. Thames GmbH is the holding company for most of RWE's water operations, both in the United States and in several foreign countries.

Thames Water Aqua US Holdings, Inc. ("TWAUSHI") is a Delaware corporation and is a wholly-owned subsidiary of Thames GmbH. In turn, TWAUSHI is the direct parent company of American Water Works Company, Inc. ("American Water"). TWAUSHI does not conduct business in Tennessee, nor is it authorized to do so. TWAUSHI's subsidiaries now have approximately 7,000 employees and provide water, wastewater services and other water resource management services to approximately 18 million customers in 29 states and Canada.

American Water is also a Delaware corporation that owns regulated operating subsidiaries in 18 states. American Water does not conduct business in Tennessee, nor is it authorized to do so.

TAWC, a wholly-owned subsidiary of American Water, is a regulated waterworks corporation organized and existing under the laws of the State of Tennessee, with its principal office located in Chattanooga, Tennessee. TAWC serves customers in the cities of Chattanooga, East Ridge, Ridgeside, Lookout Mountain, Elder Mountain and Red Bank and in the Town of Signal Mountain, all of which are located in Hamilton County, Tennessee. In addition, the Petitioner also provides service for customers in portions of the cities of Lookout Mountain, Rossville and Fort Oglethorpe, Georgia, and in Catoosa, Walker, and Dade Counties in Georgia. TAWC 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. TAWC 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.

In 2003, RWE, through its subsidiary TWAUSHI, acquired American Water in a transaction that was approved by the Authority in TRA Docket Nos. 01-01116 and 02-00273. The proposed transaction is expected to result in American Water becoming the largest publicly-traded water company in the United States ("Proposed Transaction"). After consummation of the transaction, the

Petitioner will continue to be operated by its local management. The proposed transaction will provide American Water with access to the public equity and debt capital markets in the United States, maintaining American Water's ability to finance necessary and vital investments in the infrastructure of its subsidiaries, including the Petitioner. The *Petition* asserts the Proposed Transaction will produce benefits for the Petitioner's customers including maintaining a high level of service at just and reasonable rates, and following the proposed transaction, customers will be able to invest in their water utility by buying American Water stock.

The *Petition*, filed on April 21, 2006, requests approval of (i) the sale by Thames GmbH of up to 100% of the shares of common stock of American Water in one or more public offerings and (ii) prior to the closing of the initial public offering ("IPO"), the merger of TWAUSHI with and into American Water, with American Water being the surviving corporation. The Petitioner is a Tennessee corporation that holds a certificate of public convenience and necessity ("CCN") to provide water service in the city of Chattanooga, Tennessee and certain surrounding areas. The Proposed Transaction will result in an indirect transfer of authority of the Petitioner.

Regarding the sale by Thames GmbH of up to 100% of the shares of common stock of American Water, the shares will be sold through one or more underwritten public offerings to a broad group of investors, including institutional and retail investors. The *Petition* certifies that it is the desire of Thames GmbH to sell 100% of the shares in the IPO. Depending on market conditions, Thames GmbH may decide not to sell 100% of the shares in the IPO. The remainder of the shares would then be sold in a subsequent offering or offerings as soon as reasonably practicable following the IPO. The IPO and subsequent public offerings will be conducted according to the rules for underwritten public offerings mandated by the SEC.

The *Petition* asserts the Proposed Transaction will not impair the ability of the Petitioner to maintain a reasonable capital structure that is representative of other utilities. After the Proposed

Transaction, the Petitioner will continue to be a subsidiary of American Water and will be operated by its management, under the supervision of its board of directors. According to the *Petition*, the experienced management at the Petitioner will continue to provide its financial, technical and managerial abilities to the Petitioner for the benefit of its customers and the communities they live in. The *Petition* states that American Water Works Company, Inc. will continue to provide customer service, accounting, administration, engineering, financial, human resources, information systems, operations, risk management, water quality and other services to the Petitioner under existing service agreements. The Proposed Transaction will be transparent to and will have no adverse impact on the customers of the Petitioner, and the Petitioner will continue to operate under its existing tariffs and rates. In addition, the Proposed Transaction will not adversely impact the Petitioner's rates or its policies with respect to service to customers, employees, operations, financing, or other matters affecting the public interest or utility operations.

June 26, 2006 Authority Conference

Tenn. Code Ann. § 65-4-113 (2004) requires a public utility to obtain TRA approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) (2004) reads as follows:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) (2004) provides the standards by which the TRA shall consider an application for transfer of authority, in pertinent part, as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. The authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

At the regularly scheduled Authority Conference held on June 26, 2006, the voting panel assigned to this docket voted unanimously to approve the Petition after finding that the transfer is in the public interest and will be transparent to customers, and no customer notification letter is required.

IT IS THEREFORE ORDERED THAT:

1) The indirect transfer of authority as described in the *Petition of Tennessee-American Water Company for Approval of Change of Control* and discussed herein is approved.

2) As a result of the transfer, Tennessee-American Water Company will remain a wholly-owned subsidiary of the American Water Works Company, Inc. and will retain its certificate of public convenience and necessity.


Eddie Roberson, Director


Pat Miller, Director


Sara Kyle, Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE JOINT PETITION OF KENTUCKY-AMERICAN)
WATER COMPANY, THAMES WATER AQUA)
HOLDINGS GMBH, RWE AKTIENGESELLSCHAFT,)
THAMES WATER AQUA US HOLDINGS, INC.,) CASE NO. 2006-00197
AND AMERICAN WATER WORKS COMPANY,)
INC. FOR APPROVAL OF A CHANGE IN CONTROL)
OF KENTUCKY-AMERICAN WATER COMPANY)

SUPPLEMENTAL RESPONSE TO COMMISSION STAFF'S
FIRST INFORMATION REQUEST DATED JUNE 27, 2006

Item No. 7

Witness: Ellen Wolf

7. a. List all regulatory and governmental approvals that Joint Petitioners, either individually or collectively, must obtain for the proposed transfer and public offering.
- b. For each approval listed in response to Item 7(a), provide a copy of the application or other filing, state the date when the application or initial filing was made or is expected to be made, and the expected date of a final decision on the application or filing.
- c. Provide a copy of each regulatory or governmental approval within 10 days of the issuance of such approval.

SUPPLEMENTAL RESPONSE TO PART (C):

In addition to the approvals identified in Petitioners' July 11, 2006, September 11, 2006 and January 29, 2007 responses to part c of this request, the Proposed Transaction which is the subject of this Petition was approved by the Tennessee Regulatory Authority on January 30, 2007. Please see the attached.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 30, 2007

IN RE:)
)
PETITION OF TENNESSEE-AMERICAN) DOCKET NO.
WATER COMPANY FOR APPROVAL OF) 06-00119
CHANGE OF CONTROL)

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Director Eddie Roberson, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on June 26, 2006 for consideration of the *Petition of Tennessee-American Water Company for Approval of Change of Control* (the "*Petition*") filed by Tennessee-American Water Company ("TAWC" or "Petitioner") seeking approval of a transfer of authority pursuant to the provisions of Tenn. Code Ann. § 65-4-113 (2004).

The Petition

RWE Aktiengesellschaft ("RWE") is a foreign corporation organized and existing under the laws of the Federal Republic of Germany.

Thames Water Aqua Holdings GmbH ("Thames GmbH") is a foreign corporation organized and existing under the laws of the Federal Republic of Germany. It is a wholly-owned subsidiary of RWE. Thames GmbH is the holding company for most of RWE's water operations, both in the United States and in several foreign countries.

Thames Water Aqua US Holdings, Inc. ("TWAUSHI") is a Delaware corporation and is a wholly-owned subsidiary of Thames GmbH. In turn, TWAUSHI is the direct parent company of American Water Works Company, Inc. ("American Water"). TWAUSHI does not conduct business in Tennessee, nor is it authorized to do so. TWAUSHI's subsidiaries now have approximately 7,000 employees and provide water, wastewater services and other water resource management services to approximately 18 million customers in 29 states and Canada.

American Water is also a Delaware corporation that owns regulated operating subsidiaries in 18 states. American Water does not conduct business in Tennessee, nor is it authorized to do so.

TAWC, a wholly-owned subsidiary of American Water, is a regulated waterworks corporation organized and existing under the laws of the State of Tennessee, with its principal office located in Chattanooga, Tennessee. TAWC serves customers in the cities of Chattanooga, East Ridge, Ridgeside, Lookout Mountain, Elder Mountain and Red Bank and in the Town of Signal Mountain, all of which are located in Hamilton County, Tennessee. In addition, the Petitioner also provides service for customers in portions of the cities of Lookout Mountain, Rossville and Fort Oglethorpe, Georgia, and in Catoosa, Walker, and Dade Counties in Georgia. TAWC 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. TAWC 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.

In 2003, RWE, through its subsidiary TWAUSHI, acquired American Water in a transaction that was approved by the Authority in TRA Docket Nos. 01-01116 and 02-00273. The proposed transaction is expected to result in American Water becoming the largest publicly-traded water company in the United States ("Proposed Transaction"). After consummation of the transaction, the

Petitioner will continue to be operated by its local management. The proposed transaction will provide American Water with access to the public equity and debt capital markets in the United States, maintaining American Water's ability to finance necessary and vital investments in the infrastructure of its subsidiaries, including the Petitioner. The *Petition* asserts the Proposed Transaction will produce benefits for the Petitioner's customers including maintaining a high level of service at just and reasonable rates, and following the proposed transaction, customers will be able to invest in their water utility by buying American Water stock.

The *Petition*, filed on April 21, 2006, requests approval of (i) the sale by Thames GmbH of up to 100% of the shares of common stock of American Water in one or more public offerings and (ii) prior to the closing of the initial public offering ("IPO"), the merger of TWAUSHI with and into American Water, with American Water being the surviving corporation. The Petitioner is a Tennessee corporation that holds a certificate of public convenience and necessity ("CCN") to provide water service in the city of Chattanooga, Tennessee and certain surrounding areas. The Proposed Transaction will result in an indirect transfer of authority of the Petitioner.

Regarding the sale by Thames GmbH of up to 100% of the shares of common stock of American Water, the shares will be sold through one or more underwritten public offerings to a broad group of investors, including institutional and retail investors. The *Petition* certifies that it is the desire of Thames GmbH to sell 100% of the shares in the IPO. Depending on market conditions, Thames GmbH may decide not to sell 100% of the shares in the IPO. The remainder of the shares would then be sold in a subsequent offering or offerings as soon as reasonably practicable following the IPO. The IPO and subsequent public offerings will be conducted according to the rules for underwritten public offerings mandated by the SEC.

The *Petition* asserts the Proposed Transaction will not impair the ability of the Petitioner to maintain a reasonable capital structure that is representative of other utilities. After the Proposed

Transaction, the Petitioner will continue to be a subsidiary of American Water and will be operated by its management, under the supervision of its board of directors. According to the *Petition*, the experienced management at the Petitioner will continue to provide its financial, technical and managerial abilities to the Petitioner for the benefit of its customers and the communities they live in. The *Petition* states that American Water Works Company, Inc. will continue to provide customer service, accounting, administration, engineering, financial, human resources, information systems, operations, risk management, water quality and other services to the Petitioner under existing service agreements. The Proposed Transaction will be transparent to and will have no adverse impact on the customers of the Petitioner, and the Petitioner will continue to operate under its existing tariffs and rates. In addition, the Proposed Transaction will not adversely impact the Petitioner's rates or its policies with respect to service to customers, employees, operations, financing, or other matters affecting the public interest or utility operations.

June 26, 2006 Authority Conference

Tenn. Code Ann. § 65-4-113 (2004) requires a public utility to obtain TRA approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) (2004) reads as follows:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) (2004) provides the standards by which the TRA shall consider an application for transfer of authority, in pertinent part, as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. The authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

At the regularly scheduled Authority Conference held on June 26, 2006, the voting panel assigned to this docket voted unanimously to approve the Petition after finding that the transfer is in the public interest and will be transparent to customers, and no customer notification letter is required.

IT IS THEREFORE ORDERED THAT:

1) The indirect transfer of authority as described in the *Petition of Tennessee-American Water Company for Approval of Change of Control* and discussed herein is approved.

2) As a result of the transfer, Tennessee-American Water Company will remain a wholly-owned subsidiary of the American Water Works Company, Inc. and will retain its certificate of public convenience and necessity.


Eddie Roberson, Director


Pat Miller, Director


Sara Kyle, Director