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APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Kentucky-American Water Company

(Name of Utility)

2300 Richmond Road

(Business Mailing Address - Number and Street, or P.O. Box)

Lexington, KY 40502

(Business Mailing Address - City, State, and Zip)

859-269-2386

(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

Linda C. Bridwell

(Name)

2300 Richmond Road

(Address - Number and Street or P.O. Box)

Lexington, KY 40502

(Address - City, State, Zip)

859-268-6373

(Telephone Number)

linda.bridwell@amwater.com

(Email Address)

**(For each statement below, the Applicant should check either "YES", "NO", or
"NOT APPLICABLE" (N/A))**

YES NO N/A

- | | | | | | |
|----|----|--|-------------------------------------|-------------------------------------|--|
| 1. | a. | In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| | b. | Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 2. | a. | Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| | b. | Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 3. | | Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

YES NO N/A

4. a. Applicant is a corporation that is organized under the laws of the state of Kentucky, is authorized to operate in, and is in good standing in the state of Kentucky.
- b. Applicant is a limited liability company that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- c. Applicant is a limited partnership that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- d. Applicant is a sole proprietorship or partnership.
- e. Applicant is a water district organized pursuant to KRS Chapter 74.
- f. Applicant is a water association organized pursuant to KRS Chapter 273.
5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.
- b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.
6. a. Applicant has 20 or fewer customers and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- b. Applicant has more than 20 customers and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)** *Written notice mailed to each customer no later than the date this application was filed, separate from bills.*
- c. Applicant has more than 20 customers and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." **(Attach completed "Reasons for Application" Attachment.)**

YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2013.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)** *KAW is not proposing adjustments to the test period.*
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 61,183 and total revenues from service rates of \$ 360,587. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had 698 customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

YES NO N/A

- 16. a. Applicant is not required to file state and federal tax returns.
- b. Applicant is required to file state and federal tax returns.
- c. Applicant's most recent state and federal tax returns are attached to this Application. **(Attach a copy of returns.)**
- 17. Approximately \$674,295 **(Insert dollar amount or percentage of total utility plant)** of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions.
- 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form.

By submitting this application, the Applicant consents to the procedures set forth in 807 KAR 5:076 and waives any right to place its proposed rates into effect earlier than six months from the date on which the application is accepted by the Public Service Commission for filing.

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed *Cheryl D. Norton*
 Officer of the Company/Authorized Representative

Title President

Date 11/12/2014

COMMONWEALTH OF KENTUCKY

COUNTY OF Fayette

Before me appeared *Cheryl D. Norton*, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

Dennis A. Stone
 Notary Public
 My commission expires: 10/3/2016

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment"
- Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- Attachment Billing Analysis" Attachment
- Depreciation Schedules
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3

0027327.09

amcra
AMD

Alison Lundergan Grimes
Kentucky Secretary of State
Received and Filed:
12/6/2013 2:22 PM
Fee Receipt: \$80.00

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
KENTUCKY-AMERICAN WATER COMPANY**

The undersigned, Kentucky-American Water Company (the "Corporation"), hereby restates and amends in its entirety its Articles of Incorporation, as amended and duly adopted on November 22, 2013 pursuant to KRS 271B.10-030 by the affirmative vote of the shareholders of the Corporation entitled to vote. These Amended and Restated Articles of Incorporation shall be effective on the date approved by the Kentucky Secretary of State.

ARTICLE I

The name of the corporation is Kentucky-American Water Company (the "Corporation").

ARTICLE II

The registered agent of the Corporation is CT Corporation System, 306 W. Main Street, Suite 512, Frankfort, KY 40601. The Principal Office is 2300 Richmond Road, Lexington, KY 40502.

ARTICLE III

Current Article Language:

The capital stock which the Corporation shall be authorized to have is: Two million one hundred fifty thousand (2,150,000) shares consisting of 150,000 shares of Preference Stock, with a par value of \$100 each, for an aggregate par value of Fifteen Million dollars (\$15,000,000), and 2,000,000 shares of Common Stock, having no par value.

ARTICLE IV

The preferences, qualifications, limitations, restrictions, and the special and relative rights in respect of the shares of the Corporation's Preference and Common Stock are as follows:

PREFERENCE STOCK

- (1) The shares of Preference Stock may be divided into and issued in series from time to time, as herein provided. All shares of reference Stock of all series, whether now or hereafter created, shall be of equal rank and all shares of any particular series of Preference Stock shall be identical except as to the date or dates from which dividends on such shares shall be cumulative, as provided by subdivision (2) of this Preference Stock section of Article Four of the Corporation's Amended and Restated Articles of Incorporation. The shares of Preference Stock of different series, subject to any applicable provisions of law, may vary as to the following relative rights and preferences, and restrictions and qualifications thereof, which shall be fixed by the Corporation's Board of Directors, in the case of each series, at any time prior to the issuance of any shares thereof, in the manner provided in this subdivision (1):
 - (a) the distinctive designation of such series and the number of shares which shall constitute such series;
 - (b) the annual dividend rate on shares of such series, and the date or dates from which dividends on shares of such series shall be cumulative (hereinafter

- sometimes called the Date of Cumulation);
- (c) the price or prices at which, and the terms and conditions on which, the shares of such series may be redeemed by the Corporation (hereinafter sometimes called the Redemption Prices);
 - (d) the amount or amounts payable upon the shares of such series in the event of voluntary liquidation, dissolution or winding up to the affairs of the Corporation (hereinafter sometimes called the Voluntary Liquidation Price);
 - (e) whether or not the shares of such series shall be entitled to the benefit of a Sinking Fund to be applied to the purchase or redemption of shares of such series, and if so entitled, the amount of such fund and the manner of its application, including the price or prices at which the shares of such series may be redeemed or purchased through the application of such fund;
 - (f) whether or not the shares of such series shall be made convertible into shares of any other class or of any other series of the same or any other class or classes of stock of the Corporation, and if made so convertible the conversion price or prices, and the adjustments thereof, if any, at which such conversion may be made, and any other terms and conditions of such conversion;
 - (g) any other preferences, and relative, participating, option or other special rights qualifications, limitations or restrictions thereof so far as they are not inconsistent with the provision of Article Four of the Corporation's Amended and Restated Articles of Incorporation and to the full extent now or hereafter permitted by the laws of Kentucky.

Shares of Preference Stock shall be issued only as fully-paid and non-assessable shares.

(2) Dividends.

- (a) Out of any funds of the Corporation legally available therefor remaining after Accrued Dividends to the end of the then current quarterly dividend period upon the Preferred Stock of all series then outstanding shall have been paid or declared and a sum sufficient for the payment thereof set apart for such payment, and after the Corporation shall have complied with any Sinking Fund provisions with respect of any and all amount then or theretofore required to be set aside or applied in respect of any Sinking Funds for any series of Preferred Stock, then and not otherwise the holders of Preference Stock of each series shall, subject to the provisions of this Article Four of the Corporation's Amended and Restated Articles of Incorporation and the terms of any resolution of the Corporation's Board of Directors establishing and designating any series of the Preferred Stock and fixing and determining the relative rights and preferences thereof, be entitled to receive, when and as declared by the Board of Directors, dividends in cash at the rate per annum for such series fixed in accordance with subdivision (1) of this Preference Stock section of this Article Four, and no more, payable on the first days of January, April, July and October in each year (the quarterly period ending on the first day of such months, respectively, being herein designated as Dividend Periods), in each case from the Date of Cumulation of the particular shares of such series; provided that the initial dividend with respect to any particular shares of any series shall be payable on such of such dates as next succeeds the expiration of 30 days after the date of issue of the first shares of such series to be issued, unless otherwise determined by the Board of Directors in any resolution establishing and designating any series of Preference Stock and fixing and determining the relative rights and preferences thereof. Such dividends shall be

cumulative in the case of all particular shares of each particular series as follows: (i) as to shares issued on or prior to the record date of the first dividend on shares of such series, the Date of Cumulation shall be as fixed for this purpose as provided in subdivision (1) above; (ii) as to shares issued during the period commencing the day after the record date for a dividend on shares of such series and terminating on the ensuing date of payment for such dividend, the Date of Cumulation shall be said date of payment; and (iii) as to shares issued any other time, the Date of Cumulation shall be the date of payment next preceding the date of issue of such shares, except if any shares are issued on a quarterly dividend payment date, the Date of Cumulation shall be such date. In addition (whether or not in any Dividend Period or Periods there shall be funds of the Corporation legally available for the payment of such dividends), if at any time accrued dividends upon the outstanding Preference Stock of all series to the end of the then current Dividend Period shall not have been paid or declared and a sum sufficient for the payment thereof set apart for such payment, the amount of the deficiency shall be fully paid, but without interest, or dividends in such amount declared on each such series and a sum sufficient for the payment thereof set apart for such payment, before any sum or sums shall be set aside for or applied to the purchase, redemption, Sinking Fund or other acquisition of Preference Stock of any series and before any dividend shall be declared or paid upon or set apart for, or any other distribution shall be orders or made in respect of, Subordinate Stock and before any shares of Subordinate Stock shall be purchased, redeemed, or otherwise acquired by the Corporation.

(b) No dividends shall be declared or paid on any particular series of Preference Stock to the exclusion of any other series thereof and all dividends declared on the Preference Stock of the respective series outstanding shall be declared pro rate, so that the amount of the dividend declared on any particular series of the Preference stock shall be in the proportion that the annual dividend requirements of the shares of such series bear to the total annual dividend requirements of the Preference Stock of all series at the time outstanding.

(3) Preference on Liquidation. In the event of any liquidation or dissolution or winding up of the Corporation, voluntary or involuntary, after there shall have been paid or set aside in cash for the holders of the Preferred Stock of all series then outstanding the full preferential amounts to which they are entitled under the provisions of Article Four of the Corporation Amended and Restated Articles of Incorporation, the holders of the Preference Stock of each series shall be entitle to receive, out of the Corporations available for distribution to its stockholders, before any distribution of assets shall be made to the holders of Subordinate Stock, (i) if such liquidation, dissolution or winding up shall be involuntary, the sum of \$100 per share plus Accrued Dividends thereon to the Date of Final Distribution to the holders of the Preference Stock, and (ii) if such liquidation, dissolution or winding up shall be voluntary, the Voluntary Liquidation Price to the holders of the Preference Stock; and the holders of the Subordinate Stock shall be entitled, to the exclusion of the holders of the Preference Stock of any and all series, to share in all the assets of the Corporation then remaining as hereinafter provided. If upon any liquidation or dissolution or winding up of the Corporation the net assets of the Corporation shall be insufficient to pay the holders of all outstanding shares of the Preference Stock the full amounts to which they respectively shall be entitled, the holders of shares of Preference Stock of all series shall share ratably in any distribution

of assets according to the respective amounts which would be payable in respect to the shares held by them upon such distribution of all amounts payable on or with respect to the Preference Stock of all series were paid in full. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Corporation, nor a sale, transfer or lease of all or part of the assets of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation.

(4) Sinking Fund. Out of any funds of the Corporation legally available therefor remaining after Accrued Dividends to the end of the then current dividend period upon the Preferred Stock and the current Dividend Period upon the Preference Stock of all series then outstanding shall have been paid or declared and a sum sufficient for the payment thereof set apart for such payment, and after there have been set aside any sums with respect to any Sinking Funds for any series of Preferred Stock, and before any dividends shall be declared or paid upon or set apart for, or any other distribution shall be ordered or made in respect of, Subordinate Stock and before any dividends shall be declared or paid upon or set apart for, or any other distribution shall be ordered or made in respect of Subordinate Stock and before any shares of Subordinate Stock shall be purchased, redeemed or otherwise acquired by the Corporation, the Corporation shall set aside, in respect of each series of Preference Stock any shares which shall at the time be outstanding and in respect of which a Sinking Fund for the purchase or redemption thereof has been provided in accordance with this Preference Stock section of this Article Four, the sum or sums then or theretofore required to be set aside as a Sinking Fund, to be applied in the manner specified in the provisions creating such fund.

(5) Redemption.

(a) The Preference Stock, of all or any series, or any part thereof, at any time outstanding may, subject to any applicable restrictions with respect to the redemption of shares ranking junior to the Preferred Stock as to dividends or assets, be redeemed by the Corporation, at its election expressed by resolution of the Board of Directors, at any time or from time to time (which time, when fixed in each case and specified in the notice of redemption, is hereinafter called the Redemption Date), upon not less than 30 days previous notice to the holders of records of the Preference Stock to be redeemed, given by mail in such manner as may be prescribed by resolution of the Board of Directors (but not inadvertent failure to give such notice or any defect in the notice or giving thereof shall affect the validity of the proceedings for such redemption), at the Redemption Price then applicable to the Preference Stock to be redeemed, plus Accrued Dividends thereon to the redemption date; provided, however, that less than all the Preference Stock of all series then outstanding may be redeemed only after Accrued Dividends to the end of the then current Dividend Period upon the Preference Stock of all series then outstanding (other than the shares to be redeemed) shall have been paid or declared and a sum sufficient for the payment thereof set apart for such payment, and all Sinking Fund payment requirements with respect to the Preference Stock have been met. If less than all the outstanding Preference Stock of any series is to be redeemed, the selection of shares for redemption may be made either by lot or pro rate in such manner as may be prescribed by resolution of the Board of Directors. The Corporation may, if it shall so elect, deposit the amount of the Redemption Price plus such Accrued Dividends for the account of the holders of Preference Stock entitle thereto with a bank or trust corporation doing business in the

Commonwealth of Kentucky, and having capital and surplus of at least \$5,000,000, at any time prior to the Redemption Date (the date of such deposit being hereinafter in this subdivision (5) referred to as the Date of Deposit).

(b) Notice of the Corporation's election to make such deposit including the Date of Deposit and the name and address of the bank or trust corporation with which the deposit has been or will be made, shall be included in the notice of redemption. On and after the Date of Deposit (unless default shall be made by the Corporation in providing moneys for the payment of the Redemption Price, plus such Accrued Dividend, pursuant to the notice of redemption), all dividends on the Preference Stock so called for redemption shall cease to accrue, and, notwithstanding that any certificate for shares of Preference Stock so called for redemption shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding and all rights of the holders thereof as stockholders of the Corporation shall cease and terminate, except the right to receive the Redemption Price, plus such accrued Dividends, as hereinafter provided and except any conversion rights not theretofore expired. Such conversion rights, however, in any event shall cease and terminate upon the Redemption Date or upon any earlier date duly fixed for the termination of such rights. At any time on or after the Redemption Date, or if the Corporation shall elect to deposit their moneys for such redemption as herein provided, then at any time on or after the Date of Deposit, which time shall be specified by the Corporation in the notice of redemption but shall not be later than the Redemption Date, the respective holders of record of the Preference Stock to be redeemed shall be entitled to receive the Redemption Price, plus such Accrued Dividends, upon actual delivery to the Corporation or, in the event of such deposit, to the bank or trust corporation with which such deposit shall be made, or certificates for the shares to be redeemed, such certificates, if required, to be properly stamped for transfer and duly endorsed in blank. Any moneys so deposited which shall remain unclaimed by the holders of such Preference Stock at the end of two years after the Redemption Date shall be paid by such bank or trust corporation to the Corporation; provided, however, that all moneys so deposited which shall not be required for such redemption because of the exercise of any right of conversion shall be returned to the Corporation forthwith. Any interest accrued on moneys so deposited shall be paid to the Corporation from time to time.

(4) Restrictions on Certain Corporate Action; Other Voting Rights.

- (a) So long as any shares of Preference Stock are outstanding, the consent of the holders of at least two-thirds, of the Preference Stock at the time outstanding, given in person or by proxy, either in writing without a meeting (if permitted by law) or by vote at any meeting called for the purpose, shall be necessary for effecting or validating any amendment, alteration or repeal of the Amended and Restated Articles of Incorporation, or By-laws of the Corporation which would:
- (i) alter or change the preferences, special rights, or powers given to the Preference Stock so as to affect them adversely, or
 - (ii) increase the authorized number of, or increase or decrease the authorized number of shares of Preferred Stock, or
 - (iii) create any new class of stock ranking on a parity with or having preference over the Preference Stock as to dividends or assets, or create any obligating or security of the Corporation convertible into

or exchangeable for shares of stock of any class having such preference over the Preference Stock; provided, however, that if such amendment, alteration or repeal affects adversely the preferences. Special rights or powers given one or more but not all series of Preference Stock at the time outstanding, only the consent of the holders of at least two-thirds of all series so affected, voting together, shall be required; and provided, further that the amendment of the Amended and Restated Articles of Incorporation to create, or increase or decrease the authorized number of shares of, any Subordinate Stock or any obligation or security of the Corporation convertible into any such stock shall not be deemed to affect adversely the preferences, special rights or powers of the Preference Stock.

- (b) If and whenever the dividends on the Preference Stock, regardless of series, shall be in arrears and such arrears shall aggregate an amount equal to or in excess of eight (8) quarterly dividends upon such stock, the number of directors then constituting the Board of Directors shall be increased by one and the holders of the Preference Stock, voting separately as a class, shall be entitled, at any annuals meeting of the stockholder or at a special meeting of the holders of the Preference Stock called as hereinafter provided, to elect the additional directors. Whenever all arrears in dividends on the Preference Stock then outstanding shall have been paid and dividends thereon for the current quarterly Dividend Period shall have been paid or declared and set aside for payment, then the rights of the holders of the Preference Stock to elect such additional director shall cease, but subject to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in dividends, and the term of office of the person elected as a director by the holders of the Preference Stock shall be reduced accordingly.

At any time after such voting power shall have been vested in the Preference Stock, the Secretary of the Corporation may, and upon written request of the holders of record of ten percent (10%) or more in amount of the Preference stock then outstanding, addressed to him at the principal office of the Corporation, shall, call a special meeting of the holders of the Preference Stock for the selection of the one director to be elected by them as herein provided, to be held within thirty (30) days after such call and at the place and upon the notice provided by law or by the By-laws of the Corporation for the holding of meetings of stockholders. If any such special meeting required to be called as above provide shall not be called by the Secretary within twenty (20) days after receipt of any such request, then the holders of record of ten percent (10%) or more in amount of the Preference Stock then outstanding may designate in writing one of their number to call such meeting, and the person so designated may call such meeting to be held at the place and upon the notice above provided, and for that propose shall have access to the stock books of the Corporation. If any such special meeting shall be called as above provided and if the holders of at least a majority of the Preference Stock then outstanding shall be present or represented by proxy at such meeting or any adjournment thereof, then the holders of at least a majority of the Preference Stock present or so represented at such meeting shall be entitle to elect the additional director above provided for. The director elected at any such special meeting

shall hold office until the next annual meeting of the stockholders, unless his term of office shall sooner terminate as provided hereinabove. In case any vacancy shall occur with respect to the director elected by the holders of the Preference Stock, such directorship shall remain vacant unless the holders of record of ten percent (10%) or more of the Preference Stock shall request in writing a special meeting of said holder to fill said vacancy pursuant to the terms of this subdivision 6(b) at which meeting said vacancy will be so filled.

At any annual meeting of stockholders, the holders of at least a majority of the Preference Stock then outstanding, present or represented by proxy, shall constitute a quorum for the purpose of election of such additional director and the holders of at least a majority of the Preference Stock present or so represented at such meeting shall be entitled to elect the additional director above provided for.

- (c) Except when required by law and as provided in subdivision 6(a)(i) hereof, whenever two or more series of Preference Stock are outstanding, no particular series of Preference Stock shall be entitled to vote or consent as a separate series shall be deemed to constitute but one class for any purpose for which a vote or consent of the stockholders by classes may now or hereafter be required.
- (d) Holders of Preference Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote or consent, except as otherwise required by law.

(5) No Subscription or Preemptive Rights.

- (a) No holder of the Preference Stock shall, as such holder, have any right to purchase or subscribe for (i) any stock of any class, or any warrant or warrants, option or options or other instrument or instruments that shall confer upon the holder or holders that of the right to subscribe for or purchase or receive from the Corporation any stock of any class or classes which the Corporation may issue or sell, whether or not such stock shall be convertible into or exchangeable for any other stock of the Corporation of any class or classes and whether or not such stock shall be unissued shares authorized by the Amended and Restated Articles of Incorporation or by any amendment thereto or shares of stock of the Corporation acquired by it after the issue thereof, or (ii) any obligation which the Corporation may issue or sell that shall be convertible into or exchangeable for any shares of stock of the Corporation of any class or classes, or to which shall be attached or appurtenant any warrant or warrants, option or options or other instrument or instruments that shall confer upon the holder or holders of such obligation the right to subscribe for or purchase or receive from the Corporation any shares of its stock of any class or classes.
- (b) Upon any issue for money or other consideration of any stock of the Corporation that may be authorized from time to time no holder of stock, irrespective of the kind of such stock, shall have any preemptive or other right to subscribe for, purchase or receive any proportionate or other share of the stock so issued, but the Board of Directors may dispose of all or any portion of such stock as and when it may determine free of any such rights, whether by

offering the same to stockholders or by sale or other disposition as said Board may deem advisable.

(8) Definitions.

- (a) The term "Subordinate Stock" as used in this Preference Stock section of this Article Four shall be deemed to mean all stock of any class of the Corporation ranking junior to the Preference Stock as to dividends or assets;
- (b) The term "Sinking Fund" shall mean any fund or requirement for the periodic retirement of shares;
- (c) The term "Accrued Dividends", with respect to any share of any series of Preferred and Preference Stock, shall mean an amount computed at the annual dividend rate for the series of which the particular share is a part, from the date on which dividends on such share become cumulative (called the "Date of Cumulation" with respect to the Preference Stock" to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid thereon;
- (d) The term "Date of Final Distribution" shall mean the date on which distribution or payment in liquidation is actually made to the holders of Preference Stock; but if written notice of the terms and manner of distribution or payment shall have been mailed to the holders of Preference Stock by the Corporation (or by a receiver, trustee or other liquidator of the Corporation) at least five days prior to the date on which such distribution or payment shall be made available to such holders against surrender of their certificates, then the term "Date of Final Distribution" shall mean the date on which such distribution or payment has been made available to such holders against surrender of their certificates.

COMMON STOCK

- (1) Dividends. Out of any assets of the Corporation legally available therefor remaining after Accrued Dividends to the end of the then current dividend period upon the Preferred Stock and Preference Stock of all series then outstanding shall have been paid or declared and the sum sufficient for the payment thereof set apart for such payment, and after setting aside the sum or sums there or theretofore required to be set aside as a Sinking Fund provided for any one or more series of the Preferred Stock and Preference Stock, then and not otherwise the holders of Common Stock shall, subject to the provisions of this Article Four of the Corporation's Amended and Restated Articles of Incorporation and of the terms of any resolution of the Board of Directors establishing and designating any series of the Preferred Stock or Preference Stock and fixing and determining the relative rights and preferences thereof, be entitled to receive such dividends as may from time to time be declared by the Board of Directors.
- (2) Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation, after there shall have been paid or set aside in case for the holders of the Preferred Stock and Preference Stock the full preferential amounts to which they are entitled under the provisions of this Article Four of the Corporation's Amended and Restated Articles of Incorporation, the holders of the Common Stock shall be entitled to receive pro rata all of the remaining assets of the Corporation available for distribution to its stockholders.
- (3) Voting Rights: Cumulative Voting. At all meetings of the stockholders, every registered holder of Common Stock shall be entitled to vote and shall have one vote for each share standing in his name on the books of the Corporation on any record date fixed for such

purpose or, if no such date be fixed, on the date of such meeting; provided that (so long as the laws of Kentucky shall so require) in all elections for directors, such stockholder shall have the right to cast as many votes in the aggregate as he shall be entitled to vote hereunder multiplied by the number of directors to be elected at such election, and he may cast the whole number of votes for one candidate, or distribute such votes among two or more candidates.

ARTICLE V

8.47% SERIES PREFERENCE STOCK

45,000 shares, with a par value of \$100 per share (herein sometimes referred to as the "8.47% Series")

The rights and preferences, and restrictions and qualification thereof, of the 8.47% Series, in addition to those set forth with respect to the Preference Stock in Article Four of the Charter and Articles of Incorporation of the Corporation, as amended (the Amended and Restated Articles of Incorporation as so amended being referred to as the "Amended and Restated Articles of Incorporation"), are hereby fixed as follows:

- (a) The annual dividend rate payable on shares of the 8.47% Series shall be 8.47% of the par value of said shares, and no more, and the Date of Cumulation (as defined in Article Four of the Amended and Restated Articles of Incorporation) on all shares of the 8.47% Series issued prior to the record date for the first dividend shall be the date of issuance.
- (b) (i) The shares of the 8.47% Series shall not be redeemable prior to December 1, 2001 at the option of the Corporation.

(ii) The shares of the 8.47% Series may be redeemed at any time, or from time to time, on or after December 1, 2001 at the option of the Corporation, in whole or in part, upon payment of a redemption price equal to the sum of (1) \$100 per share plus (2) Accrued Dividends (as defined in Article Four of the Amended and Restated Articles of Incorporation) thereon to the date of redemption plus (3) a premium equal to the Make-Whole Premium (hereinafter defined).

The Make-Whole Premium shall be determined five (5) business days prior to the date fixed for redemption. Notice of the Make-Whole Premium, if any, together with the calculations, in reasonable detail, used to determine any such premium shall be given to each holder of the 8.47% Series on the day it is determined, by telecopy or other same-day communication.

"Make-Whole Premium" shall mean, in connection with any redemption, the excess, if any, of (i) the aggregate present value as of the date of such redemption of the par value of the shares of the 8.47% Series being redeemed and the amount of dividends (exclusive of dividends accumulated to the date of redemption) that would have been payable in respect of such shares if such redemption had not been made (assuming all such shares would otherwise be redeemed on December 1, 2036), said present value to be determined by discounting such amount at the Reinvestment Rate (hereinafter defined) from the respective dates on which such amounts would have been payable, over (ii) 100% of the par value of the outstanding shares of the 8.47% Series being redeemed if the Reinvestment Rate is equal to or higher than 8.47%, the Make-Whole

Premium shall be zero.

"Reinvestment Rate" shall mean the sum of (i) 0.4% plus (ii) the arithmetic mean of the yields under the respective headings "This Week" and "Last Week" published in the Statistical Release (hereinafter defined) under the caption "Treasury Constant Maturities" for the maturity date of December 1, 2036. If no maturity exactly corresponds to such date, yields for the two published maturities most closely corresponding to such date shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the premium hereunder shall be used.

"Statistical Release" shall mean the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded United States Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of not less than 66-2/3% of the outstanding shares of the 8.47% Series.

(iii) In addition to the option to redeem granted to the Corporation in clause (ii) of this subparagraph (b), at any time during the period of twelve (12) consecutive calendar months beginning on December 2, 2001 and ending November 30, 2012 both date inclusive, and during each like period of twelve (12) consecutive calendar months thereafter so long as any shares of the 8.47% Series remain outstanding, the Corporation may at its option redeem up to and including, but not exceeding, four thousand five hundred (4,500) shares of the 8.47% Series at a redemption price equal to the sum of (1) \$100 per share plus (2) Accrued Dividends thereon to the date of redemption; provided, however, that the option of the Corporation to redeem up to and including, but not exceeding, four thousand five hundred (4,500) shares of the 8.47% Series during each such twelve (12) consecutive calendar month period at such redemption price shall not be cumulative and any shares redeemed during such period in excess thereto shall be redeemed at the redemption price specified in clause (ii) of this subparagraph (b).

(iv) If less than all outstanding shares of the 8.47% Series shall be redeemed at any time or times pursuant to the provisions of either clause (ii) or clause (iii) of this subparagraph (b), the shares to be redeemed shall be selected on a pro rata basis as nearly as practicable, in full shares only, according to the number of outstanding shares of the 8.47% Series held by each holder thereof.

(v) The Voluntary Liquidation Price (as defined in Article Four of the Amended and Restated Articles of Incorporation) for shares of the 8.47% Series shall be the sum of (1) \$100 per share plus (2) Accrued Dividends to the date of redemption.

(vi) All then outstanding shares of the 8.47% Series shall be redeemed by the Corporation on December 1, 2036 at a redemption price equal to the sum of (1) \$100 per share plus (2) Accrued Dividends thereon to the date of redemption; from and after December 1, 2036 and until the first to occur of (a) the date on which all such shares have been redeemed or (b) the date of Deposit (as defined in subdivision (5) of Article

Four of the Amended and Restated Articles of Incorporation) for the redemption of all such shares (assuming that proper notice of redemption and deposit of moneys has been made by the Corporation in compliance with Article Four of the Amended and Restated Articles of Incorporation), no dividend shall be paid or declared (except dividends payable solely in the Common Stock of the Corporation), nor shall any other distribution be made, on any Subordinate Stock (as defined in Article Four of the Articles of Incorporation) of the Corporation, nor shall any shares of Subordinated Stock be purchased or otherwise acquired for value by the Corporation.

- (c) There shall not be any sinking, purchase or analogous fund for the redemption of the shares of the 8.47% Series.
- (d) The holders of shares of the 8.47% Series shall have no rights of conversion, exchange or participation, nor any other preferences, or relative, participating, option or other special rights, qualifications, limitations or restrictions other than those specified therein and in the Articles of Incorporation, as amended.

ARTICLE VI

The duration of the Corporation is perpetual.

ARTICLE VII

The Corporation is formed for the following purposes:

To purchase, erect and maintain water and wastewater works and to supply water for public and private purposes;

To supply water and wastewater services for public and private purposes in the State of Kentucky as it deems appropriate for its purposes;

To purchase, lease, take or otherwise acquire and own, use, hold, sell, exchange, convey, lease, mortgage, work, improve, develop, subdivide, cultivate and otherwise handle, dispose of and deal in real estate, real property and any interest or right therein and to contract for and engage the services of other parties for the purpose of carrying on the same;

To perform all functions, reasonably attendant to implementing those purposes, to do anything necessary and proper for the accomplishment of those objects or necessary or incidental to the attainment of the purposes of the Corporation, and to exercise any powers which are granted to Corporations organized under The Business Corporation Law of Kentucky, as amended from time to time;

These are objects and purposes of the Corporation, and are not a limit, restraint or restriction in any manner on its powers.

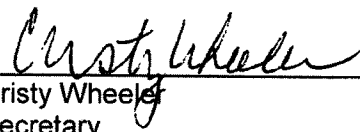
ARTICLE VIII

The business of the Corporation shall be transacted within such counties within the State of Kentucky.

ARTICLE IX

The business of the Corporation shall be managed under the direction of a board of directors. Except as otherwise set forth in these Amended and Restated Articles of Incorporation, the number of directors shall be such as from time to time fixed by or in the manner provided in the By-laws, and such number may be altered from time to time in the manner provided in the By-laws or by amendment thereof adopted by the Board of Directors.

Kentucky-American Water Company

By 
Cristy Wheeler
Secretary

There are no amendments to the Articles of Incorporation.

NOTICE

Notice is hereby given that Kentucky-American Water Company, a Kentucky corporation, seeks approval by the Public Service Commission, Frankfort, Kentucky, for an adjustment of sewer rates to be filed November 14, 2014, for service rendered on and after December 14, 2014 and a second adjustment effective for service rendered on and after December 14, 2015, in the total amount of \$61,183 on an annual basis. This is being requested in an increase in the total amount of \$29,139 on an annual basis beginning December 14, 2014 and an increase in the total amount of \$32,050 on annual basis beginning December 14, 2015. The percentage of increase will be an overall increase of 20.43% to Kentucky-American Water Company. The percentage increase is 9.73% on current revenues effective December 14, 2014, and an increase of 10.70% on current revenues effective December 14, 2015. The amount of increase per customer class for Kentucky-American Water Company is:

<u>Rockwell</u>	<u>Total Increase</u>		<u>December 2014</u>		<u>December 2015</u>	
			<u>Increase</u>		<u>Increase</u>	
Residential	\$4,209	21.00%	\$2,008	10.02%	\$2,201	9.99%
Commercial	\$1,012	20.99%	\$482	10.00%	\$530	9.99%
Industrial	\$75	21.00%	\$36	10.02%	\$39	9.99%
<u>Owenton – Inside City</u>						
Residential	\$31,695	21.00%	\$15,089	10.00%	\$16,606	10.00%
Commercial	\$21,149	21.00%	\$10,070	10.00%	\$11,079	10.00%
Other Public Authority	\$3,043	21.02%	\$1,448	10.00%	\$1,595	10.02%
<u>Owenton – Outside City</u>						
Residential	\$0	0.00%	\$0	0.00%	\$0	0.00%

The effect upon the average bill for each customer class on which the proposed rate change will apply is an increase:

<u>Rockwell</u>	<u>Average Usage</u>	<u>Total Impact on Average Bill</u>		<u>December 2014</u>		<u>December 2015</u>	
				<u>Impact</u>		<u>Impact</u>	
Residential	2,990 gal	\$4.36	21.00%	\$2.08	10.00%	\$2.28	10.00%

Commercial	56,573 gal	\$20.61	21.00%	\$9.82	10.01%	\$10.78	9.99%
Industrial	16,532 gal	\$6.01	21.01%	\$2.86	10.00%	\$3.14	10.00%
<u>Owenton – Inside City</u>							
Residential	2,866 gal	\$5.05	20.98%	\$2.40	9.99%	\$2.64	9.99%
Commercial	17,437 gal	\$12.54	20.94%	\$5.97	9.96%	\$6.58	9.98%
Other Public Authority	20,595 gal	\$24.82	21.03%	\$11.81	10.01%	\$13.01	10.02%
<u>Owenton – Outside City</u>							
Residential	2,657 gal	\$0	0.00%	\$0	0.00%	\$0	0.00%

The present sewer rates charged by Kentucky-American Water Company are as follows:

CLASSIFICATION OF SERVICE
SEWER SERVICE – ROCKWELL VILLAGE

	<u>RATE PER UNIT</u>
SEWER SERVICE	
First 12,000 gallons of water (Actual usage in gallons divided by 12,000 gallons multiplied by \$20.75)	\$20.75 per residential service

CLASSIFICATION OF SERVICE
SEWER SERVICE - OWENTON

Applicable

Applicable to all customers in the City of Owenton.

Availability of Service

Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other

Public Authority metered Service.

Monthly Water Rates

The following shall be the rates for sewer.

Within the City Limits

	Per 1,000 gallons
First 2,000 gallons	\$17.27 minimum bill
Next 1,000 gallons	7.84 per 1,000 gallons
Next 2,000 gallons	6.17 per 1,000 gallons
Next 5,000 gallons	5.59 per 1,000 gallons
Next 10,000 gallons	5.00 per 1,000 gallons
Next 20,000 gallons	4.41 per 1,000 gallons
All over 40,000 gallons	4.20 per 1,000 gallons

	Per CCF
First 2.67 CCF	\$17.27 minimum bill
Next 1.33 CCF	5.88 per CCF
Next 2.67 CCF	4.6275 per CCF
Next 6.67 CCF	4.1925 per CCF
Next 13.33 CCF	3.75 per CCF
Next 26.67 CCF	3.3075 per CCF
All over 53.34 CCF	3.15 per CCF

Outside the City Limits

First 2,000 gallons	\$24.18 minimum bill
Next 1,000 gallons	10.98 per 1,000 gallons
Next 2,000 gallons	8.65 per 1,000 gallons
Next 5,000 gallons	7.82 per 1,000 gallons
Next 10,000 gallons	6.99 per 1,000 gallons
Next 20,000 gallons	6.17 per 1,000 gallons
All over 40,000 gallons	5.88 per 1,000 gallons

First 2.67 CCF	\$24.18 minimum bill
Next 1.33 CCF	8.235 per CCF
Next 2.67 CCF	6.4875 per CCF
Next 6.67 CCF	5.865 per CCF
Next 13.33 CCF	5.2425 per CCF
Next 26.67 CCF	4.6275 per CCF
All over 53.34 CCF	4.41 per CCF

The proposed sewer rates charged by Kentucky-American Water Company are as follows:

CLASSIFICATION OF SERVICE
SEWER SERVICE – ROCKWELL VILLAGE

Applicable

Applicable to all customers in the Rockwell Village Mobile Home Subdivision.

Availability of Service

Available for Residential, Commercial, Industrial, Municipal and All Other Public Authority Service.

Monthly Rates (effective 12/14/2014)

SEWER SERVICE	<u>RATE</u>
Up to 12,000 gallons of water	\$22.83

Monthly Rates (effective 12/14/2015)

SEWER SERVICE	<u>RATE</u>
Up to 12,000 gallons of water	\$25.11

CLASSIFICATION OF SERVICE
SEWER SERVICE – OWENTON

Applicable

Applicable to all customers in the City of Owenton.

Availability of Service

Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service.

Monthly Rates (effective 12/14/2014)

The following shall be the rates for sewer.

Within the City Limits

	Per 1,000 gallons
First 2,000 gallons	\$18.997 minimum bill
Next 1,000 gallons	8.62 per 1,000 gallons
Next 2,000 gallons	6.79 per 1,000 gallons
Next 5,000 gallons	6.15 per 1,000 gallons
Next 10,000 gallons	5.50 per 1,000 gallons
Next 20,000 gallons	4.85 per 1,000 gallons
All over 40,000 gallons	4.62 per 1,000 gallons

	Per 100 gallons
First 20 100 gallons	\$18.997 minimum bill
Next 10 100 gallons	\$0.862 per 100 gallons
Next 20 100 gallons	\$0.679 per 100 gallons
Next 50 100 gallons	\$0.615 per 100 gallons
Next 100 100 gallons	\$0.550 per 100 gallons
Next 200 100 gallons	\$0.485 per 100 gallons
All over 400 100 gallons	\$0.462 per 100 gallons

Outside the City Limits

Per 1,000 gallons	
First 2,000 gallons	\$24.18 minimum bill
Next 1,000 gallons	10.98 per 1,000 gallons
Next 2,000 gallons	8.65 per 1,000 gallons
Next 5,000 gallons	7.82 per 1,000 gallons
Next 10,000 gallons	6.99 per 1,000 gallons
Next 20,000 gallons	6.17 per 1,000 gallons
All over 40,000 gallons	5.88 per 1,000 gallons

Per 100 gallons	
First 20 100 gallons	\$24.18 minimum bill
Next 10 100 gallons	\$1.098 per 100 gallons
Next 20 100 gallons	\$0.865 per 100 gallons
Next 50 100 gallons	\$0.782 per 100 gallons
Next 100 100 gallons	\$0.699 per 100 gallons
Next 200 100 gallons	\$0.617 per 100 gallons
All over 400 100 gallons	\$0.588 per 100 gallons

Monthly Rates (effective 12/14/2015)

The following shall be the rates for sewer.

Within the City Limits

Per 1,000 gallons	
First 2,000 gallons	\$20.897 minimum bill
Next 1,000 gallons	9.48 per 1,000 gallons
Next 2,000 gallons	7.47 per 1,000 gallons
Next 5,000 gallons	6.77 per 1,000 gallons
Next 10,000 gallons	6.05 per 1,000 gallons
Next 20,000 gallons	5.34 per 1,000 gallons
All over 40,000 gallons	5.08 per 1,000 gallons

Per 100 gallons	
First 20 100 gallons	\$20.897 minimum bill
Next 10 100 gallons	\$0.948 per 100 gallons
Next 20 100 gallons	\$0.747 per 100 gallons
Next 50 100 gallons	\$0.677 per 100 gallons
Next 100 100 gallons	\$0.605 per 100 gallons
Next 200 100 gallons	\$0.534 per 100 gallons
All over 400 100 gallons	\$0.508 per 100 gallons

Outside the City Limits

Per 1,000 gallons	
First 2,000 gallons	\$24.18 minimum bill
Next 1,000 gallons	10.98 per 1,000 gallons

Per 100 gallons	
First 20 100 gallons	\$24.18 minimum bill
Next 10 100 gallons	\$1.098 per 100 gallons

Next 2,000 gallons	8.65 per 1,000 gallons	Next 20 100 gallons	\$0.865 per 100 gallons
Next 5,000 gallons	7.82 per 1,000 gallons	Next 50 100 gallons	\$0.782 per 100 gallons
Next 10,000 gallons	6.99 per 1,000 gallons	Next 100 100 gallons	\$0.699 per 100 gallons
Next 20,000 gallons	6.17 per 1,000 gallons	Next 200 100 gallons	\$0.617 per 100 gallons
All over 40,000 gallons	5.88 per 1,000 gallons	All over 400 100 gallons	\$0.588 per 100 gallons

The rates contained in this notice are the rates proposed by Kentucky-American Water Company; however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice. Such action may result in rates for consumers other than the rates in this notice.

Any person may examine the rate application and any other filings made by Kentucky-American Water Company at its offices at the address below.

Any person may examine this application at the offices of the Public Service Commission, Monday through Friday, 8:00 am to 4:30 pm at the address below or through the Public Service Commission website at <http://psc.ky.gov>.

Notice is further given that any person may submit a timely written request for intervention in the matter to the Public Service Commission at the address below, establishing grounds for the request including the status and interest of the party. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication or mailing of the notice, the Public Service Commission may take final action on the application. Comments regarding the application may be submitted to the Public Service Commission through the Commission's website or by mail at the address below.

Kentucky-American Water Company
 Attn.: Linda C. Bridwell
 2300 Richmond Road
 Lexington, Kentucky 40502
 Telephone: 859-269-2386

Public Service Commission
 211 Sower Boulevard
 P.O. Box 615
 Frankfort, Kentucky 40602
 Telephone: 502-564-3940

CURRENT AND PROPOSED RATES
(List Applicant's Current and Proposed Rates)

See attachment.

Kentucky American Water
Current and Proposed Rates
Case No. 2014-00390

Customer Class	Present Monthly Rates	Proposed Monthly Rates (Effective 12/14/2014)	Proposed Monthly Rates (Effective 12/14/2015)	Percent Increase 12/14/2014	Percent Increase 12/14/2015
Rockwell	\$20.75	\$22.83	\$25.11	10%	10%
	Up to 12,000 gallons	Up to 12,000 gallons	Up to 12,000 gallons		
Owenton - Inside City					
First 2,000 gallons	\$17.27 minimum bill	\$18.997 minimum bill	\$20.897 minimum bill	10%	10%
Next 1,000 gallons	\$7.84 per 1,000 gallons	\$8.62 per 1,000 gallons	\$9.48 per 1,000 gallons	10%	10%
Next 2,000 gallons	\$6.17 per 1,000 gallons	\$6.79 per 1,000 gallons	\$7.47 per 1,000 gallons	10%	10%
Next 5,000 gallons	\$5.59 per 1,000 gallons	\$6.15 per 1,000 gallons	\$6.77 per 1,000 gallons	10%	10%
Next 10,000 gallons	\$5.00 per 1,000 gallons	\$5.50 per 1,000 gallons	\$6.05 per 1,000 gallons	10%	10%
Next 20,000 gallons	\$4.41 per 1,000 gallons	\$4.85 per 1,000 gallons	\$5.34 per 1,000 gallons	10%	10%
All over 40,000 gallons	\$4.20 per 1,000 gallons	\$4.62 per 1,000 gallons	\$5.08 per 1,000 gallons	10%	10%
Owenton - Inside City					
First 20 100 gallons		\$18.997 minimum bill	\$20.897 minimum bill	10%	10%
Next 10 100 gallons		\$0.862 per 100 gallons	\$0.948 per 100 gallons	10%	10%
Next 20 100 gallons		\$0.679 per 100 gallons	\$0.747 per 100 gallons	10%	10%
Next 50 100 gallons		\$0.615 per 100 gallons	\$0.677 per 100 gallons	10%	10%
Next 100 100 gallons		\$0.550 per 100 gallons	\$0.605 per 100 gallons	10%	10%
Next 200 100 gallons		\$0.485 per 100 gallons	\$0.534 per 100 gallons	10%	10%
All over 400 100 gallons		\$0.462 per 100 gallons	\$0.508 per 100 gallons	10%	10%
Owenton - Outside City					
First 2,000 gallons	\$24.18 minimum bill	\$24.18 minimum bill	\$24.18 minimum bill	0%	0%
Next 1,000 gallons	\$10.98 per 1,000 gallons	\$10.98 per 1,000 gallons	\$10.98 per 1,000 gallons	0%	0%
Next 2,000 gallons	\$8.65 per 1,000 gallons	\$8.65 per 1,000 gallons	\$8.65 per 1,000 gallons	0%	0%
Next 5,000 gallons	\$7.82 per 1,000 gallons	\$7.82 per 1,000 gallons	\$7.82 per 1,000 gallons	0%	0%
Next 10,000 gallons	\$6.99 per 1,000 gallons	\$6.99 per 1,000 gallons	\$6.99 per 1,000 gallons	0%	0%
Next 20,000 gallons	\$6.17 per 1,000 gallons	\$6.17 per 1,000 gallons	\$6.17 per 1,000 gallons	0%	0%
All over 40,000 gallons	\$5.88 per 1,000 gallons	\$5.88 per 1,000 gallons	\$5.88 per 1,000 gallons	0%	0%
Owenton - Outside City					
First 20 100 gallons		\$24.18 minimum bill	\$24.18 minimum bill	0%	0%
Next 10 100 gallons		\$1.098 per 100 gallons	\$1.098 per 100 gallons	0%	0%
Next 20 100 gallons		\$0.865 per 100 gallons	\$0.865 per 100 gallons	0%	0%
Next 50 100 gallons		\$0.782 per 100 gallons	\$0.782 per 100 gallons	0%	0%
Next 100 100 gallons		\$0.699 per 100 gallons	\$0.699 per 100 gallons	0%	0%
Next 200 100 gallons		\$0.617 per 100 gallons	\$0.617 per 100 gallons	0%	0%
All over 400 100 gallons		\$0.588 per 100 gallons	\$0.588 per 100 gallons	0%	0%

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

In 1998, Kentucky-American Water Company ("Kentucky American Water") acquired the assets of the Boonesboro Water Association, which included the Rockwell Village Mobile Home Park wastewater collection and treatment system. In February 1998, the Kentucky Public Service Commission approved sewer service rates for the Rockwell Village Mobile Home Park and the adjacent Industrial Park. This system consists of fewer than 100 customers. In 2005, Kentucky American Water acquired the water and wastewater assets of the City of Owenton. In December 2005, the Kentucky Public Service Commission approved sewer rates for the City of Owenton. Combined, these two sewer operations have less than 750 customers. Kentucky American Water has not requested a rate increase for either sewer system since the acquisitions. In recent years, the sewer operations have operated at a loss. This is clearly demonstrated in the annual reports filed with the Kentucky Public Service Commission.

A rate increase is needed to reduce the current shortfall in revenues for Kentucky American Water's sewer operations. A rate increase is further necessary in order to attract the capital necessary to properly maintain the system and provide further needed capital improvements. Kentucky American Water is in the process of completing a comprehensive evaluation of the sewer system in Owenton to determine a long-range capital needs plan. It is anticipated there will be capital construction requirements in the next fifteen years in both the Owenton and Rockwell Village Mobile Home Park sewer systems to maintain Division of Water discharge permit requirements.

Based on the principle of gradualism, Kentucky American Water is proposing a two-step rate increase. The implementation of phased-in measured increases is consistent with prior Kentucky Public Service Commission orders. Kentucky American Water is proposing a 10% increase to become effective December 14, 2014, with a second 10% increase to become effective December 14, 2015. Although these two increases will not afford Kentucky American Water with revenues that will fully recover the costs of current operating expenses and capital costs attributed to its sewer operations, the proposed increases are designed to reduce the amount of loss while providing gradual rate increases to customers.

In preparing the application, Kentucky American Water elected not to propose adjustments to the calendar year 2013 test period to maintain simplicity in this filing. This is despite increases experienced by Kentucky American Water in both expenses and depreciation. Kentucky American Water also used a 6% Kentucky income tax rate and a 35% federal income tax rate to simplify this filing.

When Kentucky American Water acquired the City of Owenton's system in 2005, it adopted the then-existing rates, which included a rate structure that had Inside City and Outside City rates. Outside City rates are presently higher than Inside City rates. There are only 19 Outside City customers. Because Kentucky American Water does not observe a distinction in the cost of service between Inside City and Outside City customers and performing a cost of service study is economically infeasible, Kentucky American Water is therefore proposing to freeze the Outside City rates until such time as all Owenton customers are at the same rate. Therefore, no rate increase is proposed for the Outside City customers. Kentucky American Water gave consideration to proposing a single rate for all Owenton customers at this time, but with the operating loss it did not seem to be prudent to propose a rate decrease for the Outside City customers.

In July 2014 the Kentucky Public Service Commission approved sewer rates for the City of Millersburg following Kentucky American Water's acquisition of the water and sewer assets. Kentucky American Water has not proposed any changes to those rates as part of this application.

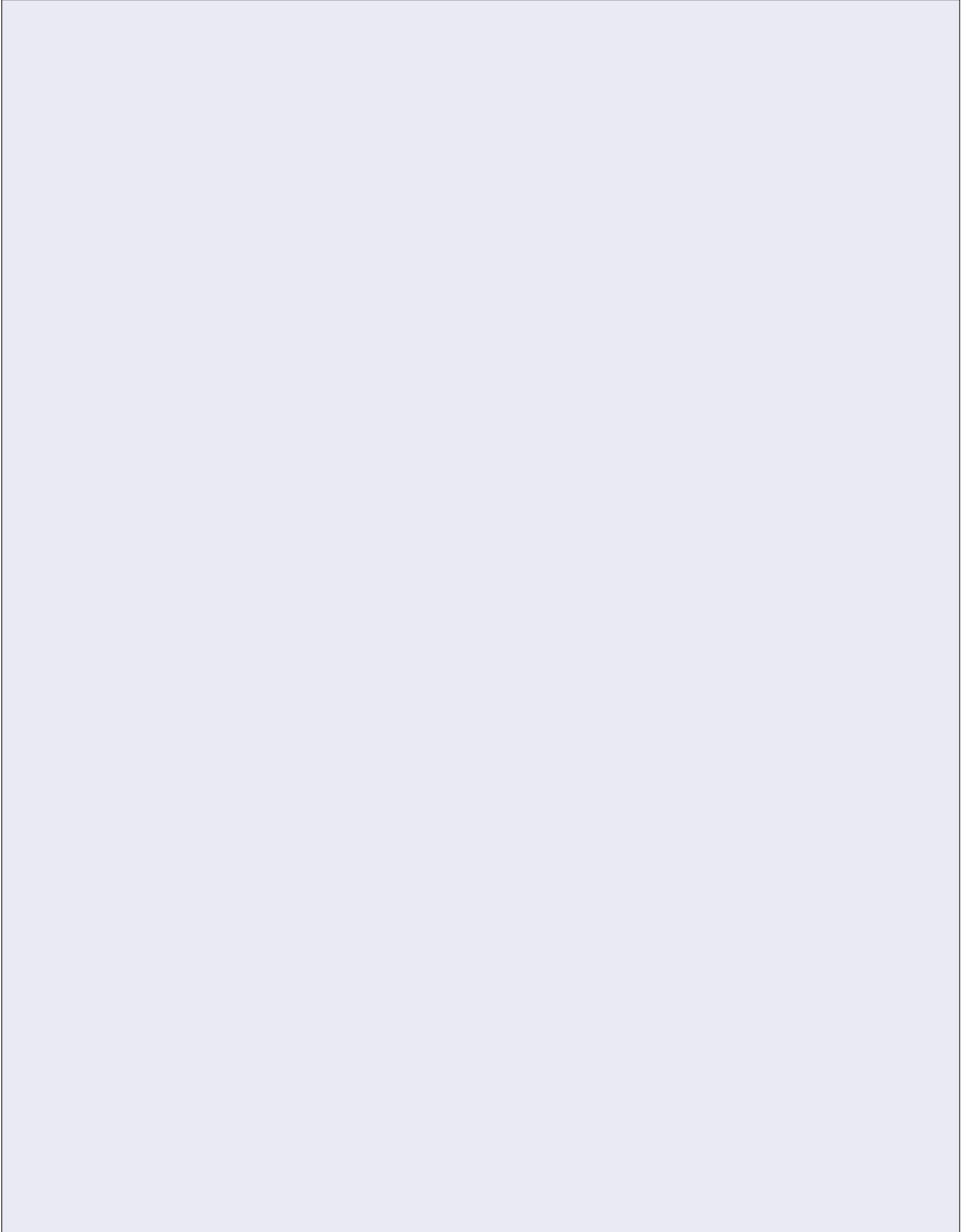
SCHEDULE OF ADJUSTED OPERATIONS - SEWER UTILITY

TYE 12/31/20 13

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operating Revenues</u>				
Sewage Service Revenues				
Flat Rate Revenues				0.00
Measured Revenues	299,972.00	0.00		299,972.00
Revenue from Public Authorities				0.00
Revenue from Other Systems				0.00
Miscellaneous Sewage Revenues				0.00
Total Sewage Service Revenues	299,972.00	0.00		299,972.00
Other Operating Revenues				
Forfeited Discounts	4,200.00	0.00		4,200.00
Miscellaneous Operating Revenues	305.00	0.00		305.00
Total Other Operating Revenues	4,505.00	0.00		4,505.00
Total Operating Revenues	304,477.00	0.00		304,477.00
<u>Operating Expenses</u>				
Total Operation and Maintenance Expenses*	280,060.00	0.00		280,060.00
Depreciation Expense	102,206.00	0.00		102,206.00
Amortization Expense	-25,928.00	0.00		-25,928.00
Taxes Other Than Income	5,063.00	0.00		5,063.00
Income Tax Expense				0.00
Total Operating Expenses	361,401.00	0.00		361,401.00
Utility Operating Income	-56,924.00	0.00		-56,924.00

* Total Operation and Maintenance Expenses should be calculated using the worksheet titled "Sewer Operations and Maintenance Expenses".

References



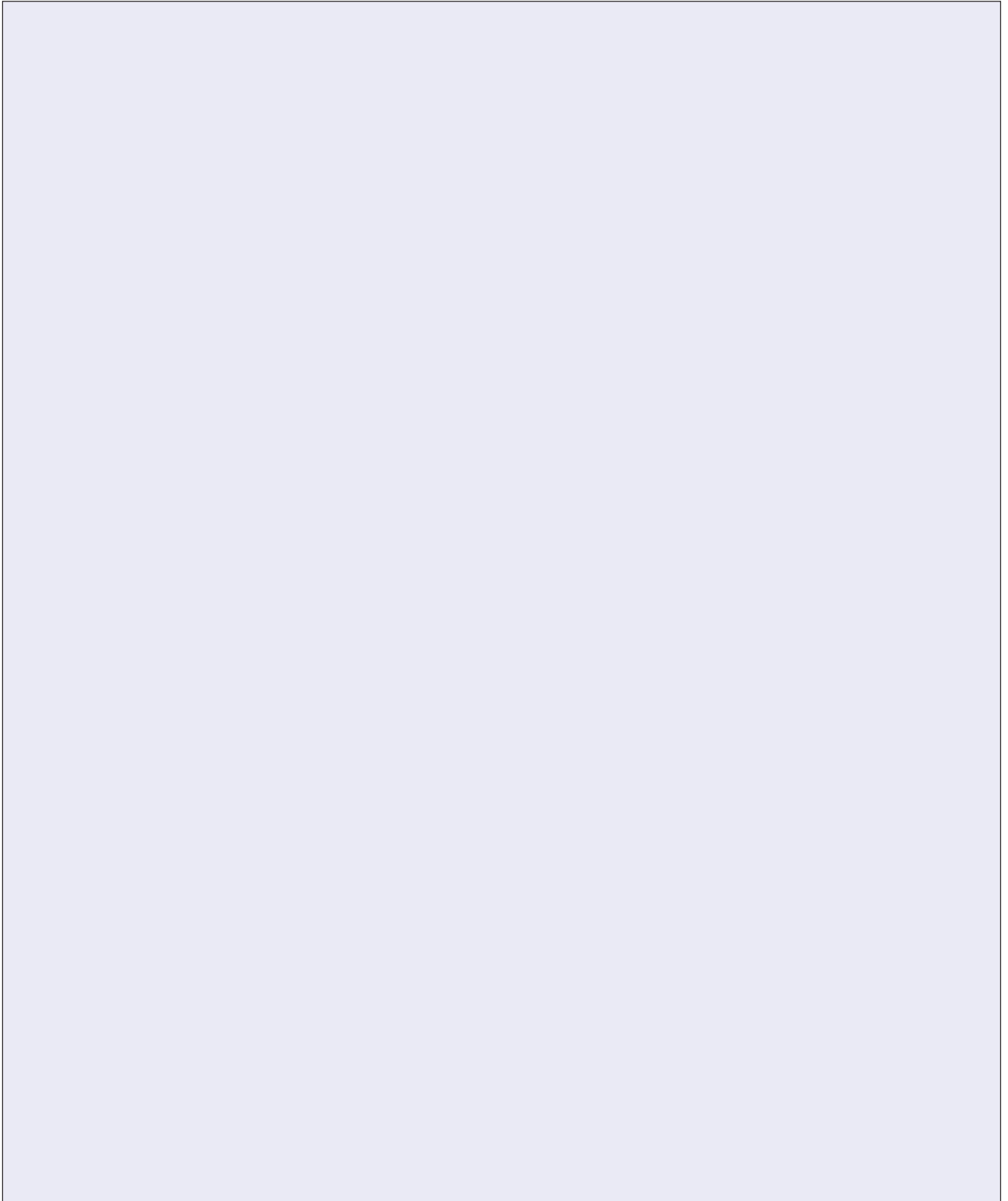
SEWER OPERATIONS AND MAINTENANCE EXPENSES

TYE 12/31/20 13

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operation Expenses</u>				
Supervision and Engineering:				
Owner/Manager-Management Fee				0.00
Other Expenses				0.00
Labor and Expenses:				
Collection System-Labor, Materials and Expenses				0.00
Pumping System-Labor, Materials and Expenses	57,796.00	0.00		57,796.00
Treatment System:				
Sludge Hauling	333.00	0.00		333.00
Utility Service- Water Cost				0.00
Other-Labor,Materials and Expenses	3,008.00	0.00		3,008.00
Rents				0.00
Fuel/Power Purchased for Pumping and Treatment	47,195.00	0.00		47,195.00
Chemicals	13,157.00	0.00		13,157.00
Miscellaneous Supplies and Expenses:				
Collection System	28,934.00	0.00		28,934.00
Pumping System				0.00
Treatment and Disposal	41,461.00	0.00		41,461.00
<u>Maintenance Expenses</u>				
Supervision and Engineering:				
Routine Maintenance Service Fee				0.00
Internal Supervision and Engineering				0.00
Maintenance of Structures and Improvements				
Maintenance of Collection Sewer System	474.00	0.00		474.00
Maintenance of Pumping System	8,916.00	0.00		8,916.00
Maintenance of Treatment and Disposal Plant	23,288.00	0.00		23,288.00
Maintenance of Other Plant and Facilities				0.00
<u>Customer Accounts Expenses</u>				
Supervision				0.00
Meter Reading Expenses and Flat Rate Inspections				0.00

	Test Year	Adjustment	Ref.	Pro Forma
<u>Customer Accounts Expenses-Continued</u>				
Customer Records and Collection Expenses:				
Agency Collection Fee				0.00
Internal Labor, Materials and Expenses				0.00
Uncollectable Accounts				0.00
Miscellaneous Customer Accounts Expenses				0.00
<u>Administrative and General Expenses</u>				
Administrative and General Salaries	9,529.00	0.00		9,529.00
Office Supplies and Other Expenses				0.00
Outside Services Employed				0.00
Insurance Expenses	1,527.00	0.00		1,527.00
Employee Pensions and Benefits	35,102.00	0.00		35,102.00
Regulatory Commission Expense				0.00
Transportation Expense	4,521.00	0.00		4,521.00
Miscellaneous General Expenses	4,819.00	0.00		4,819.00
Rents				0.00
Maintenance of General Plant				0.00
Total Sewer Operation and Maintenance Expenses	280,060.00	0.00		280,060.00

References



REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD

(Method commonly used by investor owned utilities and/or non-profit entities that do not have long-term debt outstanding.)

Pro forma Operating Expenses Before Income Taxes	\$361,401.00
Operating Ratio	0.88
Sub-Total	410,682.95
Less: Pro forma Operating Expenses Before Income Taxes	-361,401.00
Net Income Allowable	49,281.95
Add: Provision for State and Federal Income Taxes, if Applicable (see footnote)	31,375.91
Interest Expense	48,137.44
Pro forma Operating Expenses Before Taxes	361,401.00
Cost of Natural Gas (water utilities should leave this blank)	
Total Revenue Requirement	490,196.30
Less: Other Operating Revenue	
Non-operating Revenue	
Interest Income	
Total Revenue Required from Rates for Service	490,196.30
Less: Revenue from Sales at Present Rates	299,972.00
Required Revenue Increase	190,224.30

Required Revenue Increase stated as a Percentage of Revenue at Present Rates	63.41%
--	--------

Provision for Income Taxes - Calculation of Tax Gross-Up Factor

Revenue	1
Less: 6% State Tax	-0.06
Sub-Total	0.94
Less: Federal Tax, 35% of Sub-Total	-0.329
Percent Change in NOI	0.611
Factor (Revenue of 1 divided by change in NOI)	1.63666
Times: Allowable Net Income	49,281.95
Net Income Before Taxes	80,657.86
Difference Equals Provision for State and Federal Income Taxes	31,375.91

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where the actual federal tax rate exceeds the minimum federal tax rate.

Kentucky American Water
 Alternative Rate Filing- Sewer Utility
 Interest Expense Attachment to Revenue Requirement
 Case No. 2014-00390

Line #	Item	Value at 12/31/13
1	Step 1 - Sewer Rate Base at 12/31/13	
2		
3	Net Plant	
4	Utility Plant In Service	\$ 4,045,610.33
5	Accumulated Depreciation	\$ (1,909,267.11)
6	Accumulated Cost of Removal	\$ 26,457.28
7	Net Plant (Sum Lines 4 through 6)	<u>\$ 2,162,800.50</u>
8		
9	Adds:	
10	Materials and Supplies	\$ 6,446.23
11	Total Adds (Line 10)	<u>\$ 6,446.23</u>
12		
13	Deducts:	
14	CIAC	\$ (674,295.31)
15	Total Deducts (Line 14)	<u>\$ (674,295.31)</u>
16		
17	Total Rate Base (Line 7 + Line 11 + Line 15)	<u><u>\$ 1,494,951.42</u></u>
18		
19		
20	Step 2 - Weighted Cost of Debt at 12/31/13	<u>3.22%</u>
21		
22	Step 3 - Interest Expense (Line 17 x Line 20)	<u><u>\$ 48,137.44</u></u>
23		

KENTUCKY-AMERICAN WATER COMPANY
 Case No. 2014-00390
 COST OF CAPITAL SUMMARY
 AS OF DECEMBER 31, 2013

Line No.	Class of Capital	Reference	Net Carrying Amount	% of Total	Add (1)	Adjusted Capital	Cost Rate	Terminal Weighted Cost
1								
2	Short-Term Debt		\$ 19,819,864	5.186%	\$ 33,871	\$ 19,853,735	0.357%	0.020%
3								
4	Long-Term Debt		194,104,034	50.790%	331,717	194,435,751	6.100%	3.100%
5								
6	Preferred Stock		4,482,334	1.173%	7,661	4,489,995	8.520%	0.100%
7								
8	Common Equity		163,767,142	42.852%	279,866	164,047,009		
9								
10	Total Capital		\$ 382,173,374	100.001%	\$ 653,115	\$ 382,826,489		3.220%
11								
12								
13								
14								
15								
16	(1) JDITC				\$ 653,115			

Kentucky American Water
 Sewer Utility Bill Analysis
 Twelve Months Ended 12/31/13
 Residential Class

Residential - Rockwell
 Usage Table
 Usage by Rate Increment (100G)

Rockwell Class: Residential					
(1)	(2)	(3)	(4)	(5)	(6)
	Bills	Total 100 Gallons	First 120	Over 120	Total
First 120 100 Gallons	957	27,775	27,775		27,775
Over 120 100 Gallons	6	1,018	720	298	1,018
Totals	963	28,792	28,495	298	28,792

Residential - Rockwell
 Revenue Table - Present Rates
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 120 100 Gallons	963	28,495	20.75 \$	19,982.25	Minimum Bill
Over 120 100 Gallons	6	298	\$ 0.1729	51.47	Per 100 Gallon
Totals	969	28,792	\$	20,033.72	

Residential - Rockwell
 Revenue Table - Proposed Year 1
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 120 100 Gallons	963	28,495	\$ 22.83 \$	21,985.29	Minimum Bill
Over 120 100 Gallons	6	298	\$ 0.1902	56.61	Per 100 Gallon
Totals	969	28,792	\$	22,041.90	

Residential - Rockwell
 Revenue Table - Proposed Year 2
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 120 100 Gallons	963	28,495	\$ 25.11 \$	24,180.93	Minimum Bill
Over 120 100 Gallons	6	298	\$ 0.209	62.27	Per 100 Gallon
Totals	969	28,792	\$	24,243.20	

Kentucky American Water
 Sewer Utility Bill Analysis
 Twelve Months Ended 12/31/13
 Residential Class

Residential - Outside Owenton
 Usage Table
 Usage by Rate Increment (100G)

Owenton - Outside Class: Residential										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Bills	Total 100 Gallons	First 20	Next 10	Next 20	Next 50	Next 100	Next 200	Over 400	Total
First 20 100 Gallons	77	435	435							435
Next 10 100 Gallons	104	2,816	2,080	736						2,816
Next 20 100 Gallons	32	1,288	640	320	328					1,288
Next 50 100 Gallons	14	906	280	140	280	206				906
Next 100 100 Gallons	5	718	100	50	100	250	218			718
Next 200 100 Gallons										0
Over 400 100 Gallons										0
Totals	232	6,163	3,535	1,246	708	456	218	0	0	6,163

Residential - Outside Owenton
 Revenue Table - Present Rates
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	232	3,535	\$ 24.180	\$ 5,609.76	Minimum Bill
Next 10 100 Gallons		1,246	\$ 1.098	\$ 1,368.09	Per 100 Gallon
Next 20 100 Gallons		708	\$ 0.865	\$ 612.64	Per 100 Gallon
Next 50 100 Gallons		456	\$ 0.782	\$ 356.67	Per 100 Gallon
Next 100 100 Gallons		218	\$ 0.699	\$ 152.72	Per 100 Gallon
Next 200 100 Gallons		-	\$ 0.617	-	Per 100 Gallon
Over 400 100 Gallons		-	\$ 0.588	-	Per 100 Gallon
Totals	232	6,163		\$ 8,099.88	

Residential - Outside Owenton
 Revenue Table - Proposed Year 1
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	232	3,535	\$ 24.180	\$ 5,609.76	Minimum Bill
Next 10 100 Gallons		1,246	\$ 1.098	\$ 1,368.09	Per 100 Gallon
Next 20 100 Gallons		708	\$ 0.865	\$ 612.64	Per 100 Gallon
Next 50 100 Gallons		456	\$ 0.782	\$ 356.67	Per 100 Gallon
Next 100 100 Gallons		218	\$ 0.699	\$ 152.72	Per 100 Gallon
Next 200 100 Gallons		-	\$ 0.617	-	Per 100 Gallon
Over 400 100 Gallons		-	\$ 0.588	-	Per 100 Gallon
Totals	232	6,163		\$ 8,099.88	

Residential - Outside Owenton
 Revenue Table - Proposed Year 2
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	232	3,535	\$ 24.180	\$ 5,609.76	Minimum Bill
Next 10 100 Gallons		1,246	\$ 1.098	\$ 1,368.09	Per 100 Gallon
Next 20 100 Gallons		708	\$ 0.865	\$ 612.64	Per 100 Gallon
Next 50 100 Gallons		456	\$ 0.782	\$ 356.67	Per 100 Gallon
Next 100 100 Gallons		218	\$ 0.699	\$ 152.72	Per 100 Gallon
Next 200 100 Gallons		-	\$ 0.617	-	Per 100 Gallon
Over 400 100 Gallons		-	\$ 0.588	-	Per 100 Gallon
Totals	232	6,163		\$ 8,099.88	

Kentucky American Water
 Sewer Utility Bill Analysis
 Twelve Months Ended 12/31/13
 Residential Class

Residential - Inside Owenton
 Usage Table
 Usage by Rate Increment (100G)

Owenton - Inside Class: Residential										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Bills	Total 100 Gallons	First 20	Next 10	Next 20	Next 50	Next 100	Next 200	Over 400	Total
First 20 100 Gallons	2,325	21,594	21,594							21,594
Next 10 100 Gallons	1,648	42,922	32,960	9,962						42,922
Next 20 100 Gallons	1,082	43,705	21,640	10,820	11,245					43,705
Next 50 100 Gallons	716	45,910	14,320	7,160	14,320	10,110				45,910
Next 100 100 Gallon	72	9,140	1,440	720	1,440	3,600	1,940			9,140
Next 200 100 Gallon	6	1,872	120	60	120	300	600	672		1,872
Over 400 100 Gallon	4	2,624	80	40	80	200	400	800	1,024	2,624
Totals	5,853	167,765	92,154	28,762	27,205	14,210	2,940	1,472	1,024	167,765

Residential - Inside Owenton
 Revenue Table - Present Rates
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	5,853	92,154	\$ 17.2700	\$ 101,081.31	Minimum Bill
Next 10 100 Gallons		28,762	\$ 0.7840	\$ 22,549.42	Per 100 Gallon
Next 20 100 Gallons		27,205	\$ 0.6170	\$ 16,785.28	Per 100 Gallon
Next 50 100 Gallons		14,210	\$ 0.5590	\$ 7,943.25	Per 100 Gallon
Next 100 100 Gallons		2,940	\$ 0.5000	\$ 1,469.75	Per 100 Gallon
Next 200 100 Gallons		1,472	\$ 0.4410	\$ 649.02	Per 100 Gallon
Over 400 100 Gallons		1,024	\$ 0.4200	\$ 429.97	Per 100 Gallon
Totals	5,853	167,765		\$ 150,908.00	

Residential - inside Owenton
 Revenue Table - Proposed Year 1
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	5,853	92,154	\$ 18.997	\$ 111,189.44	Minimum Bill
Next 10 100 Gallons		28,762	\$ 0.862	\$ 24,792.85	Per 100 Gallon
Next 20 100 Gallons		27,205	\$ 0.679	\$ 18,471.97	Per 100 Gallon
Next 50 100 Gallons		14,210	\$ 0.615	\$ 8,739.00	Per 100 Gallon
Next 100 100 Gallons		2,940	\$ 0.550	\$ 1,616.73	Per 100 Gallon
Next 200 100 Gallons		1,472	\$ 0.485	\$ 713.77	Per 100 Gallon
Over 400 100 Gallons		1,024	\$ 0.462	\$ 472.97	Per 100 Gallon
Totals	5,853	167,765		\$ 165,996.73	

Residential - inside Owenton
 Revenue Table - Proposed Year 2
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	5,853	92,154	\$ 20.897	\$ 122,310.14	Minimum Bill
Next 10 100 Gallons		28,762	\$ 0.948	\$ 27,266.39	Per 100 Gallon
Next 20 100 Gallons		27,205	\$ 0.747	\$ 20,321.89	Per 100 Gallon
Next 50 100 Gallons		14,210	\$ 0.677	\$ 9,620.00	Per 100 Gallon
Next 100 100 Gallons		2,940	\$ 0.605	\$ 1,778.40	Per 100 Gallon
Next 200 100 Gallons		1,472	\$ 0.534	\$ 785.89	Per 100 Gallon
Over 400 100 Gallons		1,024	\$ 0.508	\$ 520.06	Per 100 Gallon
Totals	5,853	167,765		\$ 182,602.76	

Kentucky American Water
 Sewer Utility Bill Analysis
 Twelve Months Ended 12/31/13
 Commercial Class

Commercial - Rockwell
 Usage Table
 Usage by Rate Increment (100G)

Usage by Rate Increment (100G)					
Rockwell					
Class: Commercial					
(1)	(2)	(3)	(4)	(5)	(6)
	Bills	Total 100 Gallons	First 120	Over 120	Total
First 120 100 Gallons	11	689	689		689
Over 120 100 Gallons	37	26,553	4,440	22,113	26,553
Totals	48	27,241	5,129	22,113	27,241

Commercial - Rockwell
 Revenue Table - Present Rates
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	(6)
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 120 100 Gallons	48	5,129	20.75	\$ 996.00	Minimum Bill
Over 120 100 Gallons		22,113	\$ 0.17290	3,823.26	Per 100 Gallon
Totals	48	27,241		\$ 4,819.26	

Commercial - Rockwell
 Revenue Table - Proposed Year 1
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	(6)
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 120 100 Gallons	48	5,129	22.83	\$ 1,095.84	Minimum Bill
Over 120 100 Gallons		22,113	\$ 0.19020	4,205.81	Per 100 Gallon
Totals	48	27,241		\$ 5,301.65	

Commercial - Rockwell
 Revenue Table - Proposed Year 2
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	(6)
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 120 100 Gallons	48	5,129	25.11	\$ 1,205.28	Minimum Bill
Over 120 100 Gallons		22,113	0.2092	4,625.95	Per 100 Gallon
Totals	48	27,241		\$ 5,831.23	

Kentucky American Water
 Sewer Utility Bill Analysis
 Twelve Months Ended 12/31/13
 Commercial Class

Commercial - Outside Owenton
 Usage Table
 Usage by Rate Increment (100G)

Owenton - Outside Class: Commercial										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Bills	Total 100 Gallons	First 20	Next 10	Next 20	Next 50	Next 100	Next 200	Over 400	Total
First 20 100 Gallons										0
Next 10 100 Gallons										0
Next 20 100 Gallons										0
Next 50 100 Gallons										0
Next 100 100 Gallons										0
Next 200 100 Gallons										0
Over 400 100 Gallons										0
Totals	0	0	0	0	0	0	0	0	0	0

Commercial - Outside Owenton
 Revenue Table - Present Rates
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	0	-	\$ 24.180	\$ -	Minimum Bill
Next 10 100 Gallons		-	\$ 1.098	\$ -	Per 100 Gallon
Next 20 100 Gallons		-	\$ 0.865	\$ -	Per 100 Gallon
Next 50 100 Gallons		-	\$ 0.782	\$ -	Per 100 Gallon
Next 100 100 Gallons		-	\$ 0.699	\$ -	Per 100 Gallon
Next 200 100 Gallons		-	\$ 0.617	\$ -	Per 100 Gallon
Over 400 100 Gallons		-	\$ 0.588	\$ -	Per 100 Gallon
Totals	0	-	\$ -	\$ -	

Commercial - Outside Owenton
 Revenue Table - Proposed Year 1
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	0	-	\$ 24.180	\$ -	Minimum Bill
Next 10 100 Gallons		-	\$ 1.098	\$ -	Per 100 Gallon
Next 20 100 Gallons		-	\$ 0.865	\$ -	Per 100 Gallon
Next 50 100 Gallons		-	\$ 0.782	\$ -	Per 100 Gallon
Next 100 100 Gallons		-	\$ 0.699	\$ -	Per 100 Gallon
Next 200 100 Gallons		-	\$ 0.617	\$ -	Per 100 Gallon
Over 400 100 Gallons		-	\$ 0.588	\$ -	Per 100 Gallon
Totals	0	-	\$ -	\$ -	

Commercial - Outside Owenton
 Revenue Table - Proposed Year 2
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	0	-	\$ 24.180	\$ -	Minimum Bill
Next 10 100 Gallons		-	\$ 1.098	\$ -	Per 100 Gallon
Next 20 100 Gallons		-	\$ 0.865	\$ -	Per 100 Gallon
Next 50 100 Gallons		-	\$ 0.782	\$ -	Per 100 Gallon
Next 100 100 Gallons		-	\$ 0.699	\$ -	Per 100 Gallon
Next 200 100 Gallons		-	\$ 0.617	\$ -	Per 100 Gallon
Over 400 100 Gallons		-	\$ 0.588	\$ -	Per 100 Gallon
Totals	0	-	\$ -	\$ -	

Kentucky American Water
 Sewer Utility Bill Analysis
 Twelve Months Ended 12/31/13
 Commercial Class

Commercial - Inside Owenton
 Usage Table
 Usage by Rate Increment (100G)

Owenton - Inside Class: Commercial										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Bills	Total 100 Gallons	First 20	Next 10	Next 20	Next 50	Next 100	Next 200	Over 400	Total
First 20 100 Gallons	408	3,093	3,093							3,093
Next 10 100 Gallons	140	3,550	2,800	750						3,550
Next 20 100 Gallons	95	3,916	1,900	950	1,066					3,916
Next 50 100 Gallons	182	12,275	3,640	1,820	3,640	3,175				12,275
Next 100 100 Gallons	124	17,760	2,480	1,240	2,480	6,200	5,360			17,760
Next 200 100 Gallons	54	16,282	1,080	540	1,080	2,700	5,400	5,482		16,282
Over 400 100 Gallons	92	134,063	1,840	920	1,840	4,600	9,200	18,400	97,263	134,063
Totals	1,095	190,939	16,833	6,220	10,106	16,675	19,960	23,882	97,263	190,939

Commercial - Inside Owenton
 Revenue Table - Present Rates
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	1,095	16,833	\$ 17.270	\$ 18,910.65	Minimum Bill
Next 10 100 Gallons		6,220	\$ 0.784	\$ 4,876.37	Per 100 Gallon
Next 20 100 Gallons		10,106	\$ 0.617	\$ 6,235.28	Per 100 Gallon
Next 50 100 Gallons		16,675	\$ 0.559	\$ 9,321.57	Per 100 Gallon
Next 100 100 Gallons		19,960	\$ 0.500	\$ 9,980.14	Per 100 Gallon
Next 200 100 Gallons		23,882	\$ 0.441	\$ 10,532.07	Per 100 Gallon
Over 400 100 Gallons		97,263	\$ 0.420	\$ 40,850.32	Per 100 Gallon
Totals	1,095	190,939		\$ 100,706.39	

Commercial - Inside Owenton
 Revenue Table - Proposed Year 1
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	1,095	16,833	\$ 18.997	\$ 20,801.72	Minimum Bill
Next 10 100 Gallons		6,220	\$ 0.862	\$ 5,361.52	Per 100 Gallon
Next 20 100 Gallons		10,106	\$ 0.679	\$ 6,861.84	Per 100 Gallon
Next 50 100 Gallons		16,675	\$ 0.615	\$ 10,255.40	Per 100 Gallon
Next 100 100 Gallons		19,960	\$ 0.550	\$ 10,978.15	Per 100 Gallon
Next 200 100 Gallons		23,882	\$ 0.485	\$ 11,582.89	Per 100 Gallon
Over 400 100 Gallons		97,263	\$ 0.462	\$ 44,935.35	Per 100 Gallon
Totals	1,095	190,939		\$ 110,776.86	

Commercial - Inside Owenton
 Revenue Table - Proposed Year 2
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	1,095	16,833	\$ 20.897	\$ 22,882.22	Minimum Bill
Next 10 100 Gallons		6,220	\$ 0.948	\$ 5,896.43	Per 100 Gallon
Next 20 100 Gallons		10,106	\$ 0.747	\$ 7,549.03	Per 100 Gallon
Next 50 100 Gallons		16,675	\$ 0.677	\$ 11,289.27	Per 100 Gallon
Next 100 100 Gallons		19,960	\$ 0.605	\$ 12,075.97	Per 100 Gallon
Next 200 100 Gallons		23,882	\$ 0.534	\$ 12,753.12	Per 100 Gallon
Over 400 100 Gallons		97,263	\$ 0.508	\$ 49,409.43	Per 100 Gallon
Totals	1,095	190,939		\$ 121,855.46	

Kentucky American Water
 Sewer Utility Bill Analysis
 Twelve Months Ended 12/31/13
 Industrial Class

Industrial - Rockwell
 Usage Table
 Usage by Rate Increment (100G)

Usage by Rate Increment (100G)					
Rockwell Class: Industrial					
(1)	(2)	(3)	(4)	(5)	(6)
	Bills	Total 100 Gallons	First 120	Over 120	Total
First 120 100 Gallons	4	397	397		397
Over 120 100 Gallons	8	1,587	960	627	1,587
Totals	12	1,984	1,357	627	1,984

Industrial - Rockwell
 Revenue Table - Present Rates
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	Rate Notes
	Bills	100 Gallons	Rates	Revenue	
First 120 100 Gallons	12	1,357	20.75 \$	249.00	Minimum Bill
Over 120 100 Gallons		627 \$	0.1729	108.43	Per 100 Gallon
Totals	12	1,984		\$ 357.43	

Industrial - Rockwell
 Revenue Table - Proposed Year 1
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	Rate Notes
	Bills	100 Gallons	Rates	Revenue	
First 120 100 Gallons	12	1,357 \$	22.83 \$	273.96	Minimum Bill
Over 120 100 Gallons		627 \$	0.1902	119.27	Per 100 Gallon
Totals	12	1,984		\$ 393.23	

Industrial - Rockwell
 Revenue Table - Proposed Year 2
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	Rate Notes
	Bills	100 Gallons	Rates	Revenue	
First 120 100 Gallons	12	1,357 \$	25.1100 \$	301.32	Minimum Bill
Over 120 100 Gallons		627 \$	0.2092	131.19	Per 100 Gallon
Totals	12	1,984		\$ 432.51	

Kentucky American Water
 Sewer Utility Bill Analysis - 12 Months Ended 12/31/13
 Other Public Authority Class

Other Public Authority - Outside Owenton
 Usage Table
 Usage by Rate Increment (100G)

Owenton - Outside Class: OPA										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Bills	Total 100 Gallons	First 20	Next 10	Next 20	Next 50	Next 100	Next 200	Over 400	Total
First 20 100 Gallons										0
Next 10 100 Gallons										0
Next 20 100 Gallons										0
Next 50 100 Gallons										0
Next 100 100 Gallons										0
Next 200 100 Gallons										0
Over 400 100 Gallons										0
Totals	0	0	0	0	0	0	0	0	0	0

Other Public Authority - Outside Owenton
 Revenue Table - Present Rates
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	0	-	\$ 24.180	\$ -	Minimum Bill
Next 10 100 Gallons		-	\$ 1.098	\$ -	Per 100 Gallon
Next 20 100 Gallons		-	\$ 0.865	\$ -	Per 100 Gallon
Next 50 100 Gallons		-	\$ 0.782	\$ -	Per 100 Gallon
Next 100 100 Gallons		-	\$ 0.699	\$ -	Per 100 Gallon
Next 200 100 Gallons		-	\$ 0.617	\$ -	Per 100 Gallon
Over 400 100 Gallons		-	\$ 0.588	\$ -	Per 100 Gallon
Totals	0	-	\$	-	

Other Public Authority - Outside Owenton
 Revenue Table - Proposed Year 1
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	0	-	\$ 24.180	\$ -	Minimum Bill
Next 10 100 Gallons		-	\$ 1.098	\$ -	Per 100 Gallon
Next 20 100 Gallons		-	\$ 0.865	\$ -	Per 100 Gallon
Next 50 100 Gallons		-	\$ 0.782	\$ -	Per 100 Gallon
Next 100 100 Gallons		-	\$ 0.699	\$ -	Per 100 Gallon
Next 200 100 Gallons		-	\$ 0.617	\$ -	Per 100 Gallon
Over 400 100 Gallons		-	\$ 0.588	\$ -	Per 100 Gallon
Totals	0	-	\$	-	

Other Public Authority - Outside Owenton
 Revenue Table - Proposed Year 2
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	0	-	\$ 24.180	\$ -	Minimum Bill
Next 10 100 Gallons		-	\$ 1.098	\$ -	Per 100 Gallon
Next 20 100 Gallons		-	\$ 0.865	\$ -	Per 100 Gallon
Next 50 100 Gallons		-	\$ 0.782	\$ -	Per 100 Gallon
Next 100 100 Gallons		-	\$ 0.699	\$ -	Per 100 Gallon
Next 200 100 Gallons		-	\$ 0.617	\$ -	Per 100 Gallon
Over 400 100 Gallons		-	\$ 0.588	\$ -	Per 100 Gallon
Totals	0	-	\$	-	

Kentucky American Water
 Sewer Utility Bill Analysis - 12 Months Ended 12/31/13
 Other Public Authority Class

Other Public Authority - Inside Owenton
 Usage Table
 Usage by Rate Increment (100G)

Owenton - Inside Class: OPA										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Bills	Total 100 Gallons	First 20	Next 10	Next 20	Next 50	Next 100	Next 200	Over 400	Total
First 20 100 Gallons	35	281	281							281
Next 10 100 Gallons	20	497	403	94						497
Next 20 100 Gallons	16	617	320	160	137					617
Next 50 100 Gallons	20	1,430	400	200	400	430				1,430
Next 100 100 Gallons	6	759	120	60	120	300	159			759
Next 200 100 Gallons	9	2,779	180	90	180	450	900	979		2,779
Over 400 100 Gallons	29	21,441	580	290	580	1,450	2,900	5,800	9,841	21,441
Totals	135	27,804	2,284	894	1,417	2,630	3,959	6,779	9,841	27,804

Other Public Authority - Inside Owenton
 Revenue Table - Present Rates
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	135	2,284	\$ 17.270	\$ 2,331.45	Minimum Bill
Next 10 100 Gallons		894	\$ 0.784	\$ 700.70	Per 100 Gallon
Next 20 100 Gallons		1,417	\$ 0.617	\$ 874.44	Per 100 Gallon
Next 50 100 Gallons		2,630	\$ 0.559	\$ 1,470.11	Per 100 Gallon
Next 100 100 Gallons		3,959	\$ 0.500	\$ 1,979.28	Per 100 Gallon
Next 200 100 Gallons		6,779	\$ 0.441	\$ 2,989.70	Per 100 Gallon
Over 400 100 Gallons		9,841	\$ 0.420	\$ 4,133.04	Per 100 Gallon
Totals	135	27,804		\$ 14,478.73	

Other Public Authority - Inside Owenton
 Revenue Table - Proposed Year 1
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	135	2,284	\$ 18.997	\$ 2,564.60	Minimum Bill
Next 10 100 Gallons		894	\$ 0.862	\$ 770.41	Per 100 Gallon
Next 20 100 Gallons		1,417	\$ 0.679	\$ 962.31	Per 100 Gallon
Next 50 100 Gallons		2,630	\$ 0.615	\$ 1,617.39	Per 100 Gallon
Next 100 100 Gallons		3,959	\$ 0.550	\$ 2,177.20	Per 100 Gallon
Next 200 100 Gallons		6,779	\$ 0.485	\$ 3,287.99	Per 100 Gallon
Over 400 100 Gallons		9,841	\$ 0.462	\$ 4,546.35	Per 100 Gallon
Totals	135	27,804		\$ 15,926.25	

Other Public Authority - Inside Owenton
 Revenue Table - Proposed Year 2
 Revenue by Rate Increment (100G)

(1)	(2)	(3)	(4)	(5)	
	Bills	100 Gallons	Rates	Revenue	Rate Notes
First 20 100 Gallons	135	2,284	\$ 20.897	\$ 2,821.10	Minimum Bill
Next 10 100 Gallons		894	\$ 0.948	\$ 847.28	Per 100 Gallon
Next 20 100 Gallons		1,417	\$ 0.747	\$ 1,058.69	Per 100 Gallon
Next 50 100 Gallons		2,630	\$ 0.677	\$ 1,780.44	Per 100 Gallon
Next 100 100 Gallons		3,959	\$ 0.605	\$ 2,394.92	Per 100 Gallon
Next 200 100 Gallons		6,779	\$ 0.534	\$ 3,620.18	Per 100 Gallon
Over 400 100 Gallons		9,841	\$ 0.508	\$ 4,999.01	Per 100 Gallon
Totals	135	27,804		\$ 17,521.62	

Kentucky American Water
Alternative Rate Filing- Sewer Utility
Depreciation Schedule per ARF Form-1 Item 14
Case No. 2014-00390

Line #	Utility Account	Utility Account Description	NARUC Account Group	Asset Original Cost at 12/31/13	Depreciation Rate	Useful Life (Calculated, In Years)	Accumulated Depreciation Balance at 12/31/13	Annual Depreciation Expense
1	353500	Land & Land Rights - General	310	\$ 2,250.00	0.00%		\$ -	\$ -
2	354200	Struct & Imp - Coll	311	\$ 39,910.63	5.00%	20.00	\$ 41,389.08	\$ 1,995.53
3	354300	Struct & Imp - SPP	311	\$ 277,362.18	2.00%	50.00	\$ 85,140.51	\$ 5,547.24
4	354400	Struct & Imp - TDP	311	\$ 2,067,215.70	2.00%	50.00	\$ 964,038.76	\$ 41,344.31
5	354500	Struct & Imp - General	311	\$ 61,098.64	10.00%	10.00	\$ 41,349.81	\$ 6,109.86
6	360000	Collection Sewers	352.1	\$ 836,595.10	2.00%	50.00	\$ 430,727.11	\$ 16,731.90
7	361100	Collecting Mains	352.2	\$ 47,237.84	2.00%	50.00	\$ 4,650.48	\$ 944.76
8	363000	Services Sewer	354	\$ 65,742.54	2.00%	50.00	\$ (1,325.79)	\$ 1,314.85
9	364000	Flow Measuring Device	355	\$ 2,168.69	2.00%	50.00	\$ 187.72	\$ 43.37
10	371100	Pump Equipment - Elect	363A	\$ 191,140.27	5.00%	20.00	\$ 4,547.83	\$ 9,557.01
11	371200	Pump Equipment - Oth Pwr	363C	\$ 3,646.30	5.00%	20.00	\$ 1,002.54	\$ 182.32
12	380000	Transmission & Distribution Eq	373	\$ 234,050.73	5.00%	20.00	\$ 35,039.48	\$ 11,702.54
13	390000	Office Furniture	391	\$ 300.00	10.00%	10.00	\$ 9,654.53	\$ 30.00
14	390200	Office Furniture	391	\$ 7,271.78	20.00%	5.00	\$ 14,605.83	\$ 1,454.36
15	390300	Office Furniture	391	\$ 1,527.77	6.87%	14.56	\$ 350.00	\$ 104.96
16	391100	Transportation Equipment	392	\$ 35,144.16	10.00%	10.00	\$ 78,472.20	\$ 3,514.42
17	392000	Stores Equipment	393A	\$ 500.00	10.00%	10.00	\$ 1,125.33	\$ 50.00
18	393000	Tool Shop & Garage	393B	\$ 73,596.40	10.00%	10.00	\$ 37,338.73	\$ 7,359.64
19	394000	Laboratory Equipment	393C	\$ 52,416.84	20.00%	5.00	\$ 36,079.23	\$ 10,483.37
20	395000	Tool Shop & Garage Equip	393D	\$ 26,777.33	10.00%	10.00	\$ 45,469.02	\$ 2,677.73
21	396000	Tool Shop & Garage Equip	393E	\$ 1,396.00	10.00%	10.00	\$ 3,478.04	\$ 139.60
22	397000	Tool Shop & Garage Equip	393F	\$ 18,261.43	10.00%	10.00	\$ 47,363.45	\$ 1,826.14
23								
24	Sum			<u>\$ 4,045,610.33</u>			<u>\$ 1,880,683.89</u>	<u>\$123,113.92</u>

**FINANCIAL STATEMENT
OF
KENTUCKY-AMERICAN WATER COMPANY**

(as of September 30, 2014 except where noted)

(1) The amount and kinds of stock of the Applicant authorized are as follows:

Preference Stock, par value \$100 per share:

8.47% Series	45,000 Shares
Unclassified	85,000 Shares

Common Stock, no par value	2,000,000 Shares
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(2) The amounts and kinds of stock of the Applicant issued and outstanding as of September 30, 2014 are as follows:

Preference Stock, par value \$100 per share:

8.47% Series	45,000 Shares
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Common Stock, no par value	1,567,391 Shares
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(3) The Preference Stock is cumulative as to dividends. If dividends on the Preference Stock shall be in arrears and such arrears shall aggregate an amount equal to or in excess of eight (8) quarterly dividends upon such stock, the number of directors then constituting the Board of Directors shall be increased by one (1) and the holders of the Preference Stock voting separately as a class shall be entitled to elect the one (1) additional director.

The shares of the 8.47% Preference Stock may be redeemed at any time, or from time to time, on or after December 1, 2001 at the option of the Company, in whole or in part, upon payment of a redemption price equal to the sum of \$100 per share plus a premium equal to the Make-Whole Premium as defined in the Articles of Incorporation.

At any time during the period of twelve (12) consecutive calendar months beginning on December 1, 2013 and ending November 30, 2014, both dates inclusive, and during each like period of twelve (12) consecutive calendar months thereafter so long as any shares of the 8.47% Series remain outstanding,

the Company may at its option redeem up to and including, but not exceeding, four thousand five hundred (4,500) shares of the 8.47% Series at a redemption price equal to the sum of \$100 per share.

All then outstanding shares of the 8.47% Series shall be redeemed by the Company on December 1, 2036 at a redemption price equal to the sum of \$100 per share.

(4) The following are the only mortgages on the property of the Applicant:

General Mortgage Indenture dated as of May 1, 1968, executed by the Applicant to The Fidelity Bank (now US Bank), as Trustee, and supplemental indentures thereto dated as of December 1, 1970 (as supplemented on December 17, 1970); September 1, 1974; November 1, 1977; December 1, 1982; June 1, 1983; August 1, 1985; January 1, 1987; September 1, 1988; October 1, 1989; November 1, 1990; December 1, 1991; December 1, 1992; December 1, 1993; September 1, 1995; February 1, 1997, and June 1, 1998.

The Indenture of Mortgage provides for the issue of General Mortgage Bonds which together with all other long-term debt cannot exceed 65% of Applicant's total capitalization, which percentage is \$233,717,570 as of September 30, 2014. The amount of indebtedness actually secured by a lien on all the property owned or hereafter acquired by the Company is \$23,500,000. There are no sinking fund provisions associated with the General Mortgage Bonds.

(5) At September 30, 2014, \$23,500,000 in General Mortgage Bonds were issued and outstanding.

General Mortgage Bonds:

Principal amount authorized by Indenture:

No maximum limit of bonds fixed

Name of utility issuing bonds:

All bonds were issued by Kentucky-American Water Company

Principal amount issued and outstanding:

<u>GMB:</u>	<u>Issued</u>	<u>Outstanding</u>
6.96% Series	\$ 7,000,000	\$ 7,000,000
7.15% Series	7,500,000	7,500,000
6.99% Series	9,000,000	9,000,000

Date of issue (nominal date):

6.96% Series	December 1, 1993
7.15% Series	February 14, 1997
6.99% Series	June 1, 1998

Rate of interest:

6.96% Series	6.96%
7.15% Series	7.15%
6.99% Series	6.99%

±

Date of maturity:

6.96% Series	December 1, 2023
7.15% Series	February 1, 2027
6.99% Series	June 1, 2028

Security: All outstanding General Mortgage Bonds are secured by the lien of the General Mortgage Indenture upon all property of the Company.

Interest paid during the 12 months ended September 30, 2014

6.96% Series	\$ 487,200.00
7.15% Series	536,250.00
6.99% Series	629,100.00

(6) Notes are payable to AWCC, bear interest as listed below.

<u>Payee</u>	<u>Date of Issue</u>	<u>Interest Rate*</u>	<u>9/30/14 Amount Outstanding</u>	<u>Maturity Date</u>	<u>Interest paid 12 mos. ended 9/30/14</u>
AWCC	January 1, 2005	Variable	\$11,943,312	Revolver	\$41,620

* Interest is calculated at outstanding commercial paper average rates and at the LIBOR market index average rate plus premium per the line of credit agreements.

<u>Payee</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	9/30/2014 <u>Amount Outstanding</u>	<u>Maturity Date</u>	Interest paid 12 mos. ended <u>09/30/14</u>
AWCC	Oct 22, 2007	6.593%	\$47,000,000	Oct 15, 2037	\$3,098,710
AWCC	June 23, 2009	6.250%	\$45,390,000	June 1, 2039	\$2,836,875
AWCC	Sept 10, 2009	5.625%	\$26,000,000	Sept 1, 2039	\$1,462,500
AWCC	June 24, 2010	5.375%	\$26,000,000	June 1, 2040	\$1,397,500
AWCC	Nov 21, 2011	5.050%	\$20,000,000	Oct 15, 2037	\$1,010,000
AWCC	May 15, 2013	4.000%	\$ 7,859,000	Oct 15, 2037	\$ 314,360

(7) Indebtedness other than identified on this exhibit does not exist.

(8) Dividends were paid by the Applicant during the five fiscal years as follows:

Common Stock

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Number of Shares Outstanding</u>	<u>Amount</u>
2009	5.17	1,567,391	\$ 8,103,411
2010	5.70	1,567,391	\$ 8,934,129
2011	8.66	1,567,391	\$13,573,606
2012	9.38	1,567,391	\$14,702,128
2013	5.29	1,567,391	\$ 8,291,498

Preference Stock, 8.47% Series

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Number of Shares Outstanding</u>	<u>Amount</u>
2009	8.47	45,000	\$ 381,150
2010	8.47	45,000	\$ 381,150
2011	8.47	45,000	\$ 381,150
2012	8.47	45,000	\$ 381,150
2013	8.47	45,000	\$ 381,150

In its application in Case No. 2006-00418, Kentucky-American Water Company provided a copy of its Indenture of Mortgage and the sixteen supplemental indentures thereto. This document, which is over five hundred pages, was attached as Exhibit 4 to the application in that proceeding. There have been no supplements since it was last produced. In lieu of reprinting the document in its entirety in this proceeding, Kentucky-American Water Company has provided a copy of the currently outstanding bonds, in addition to all outstanding promissory notes. To the extent that a deviation is required pursuant to 807 KAR 5:076, Section 17 with respect to not providing a complete copy of the Mortgage and supplements, Kentucky-American Water Company respectfully requests the Commission grant same.

KENTUCKY-AMERICAN WATER COMPANY
P. O. Box 593
Charleston, West Virginia 25322

PREFERENCE STOCK PURCHASE AGREEMENT

Re: 45,000 Shares of the 8.47% Series Preference
Stock of the Par Value of \$100 per Share

Dated as of December 1, 1991

First Colony Life Insurance Company
700 Main Street
P. O. Box 1280
Lynchburg, Virginia 24504

Attention: Mr. J. Alden Butler

KENTUCKY-AMERICAN WATER COMPANY, a Kentucky corporation (the "Company"),
agrees with you as follows:

1. Description and Sale of Preference Stock. The Company has, or prior to the Closing referred to in paragraph 2 will have, authorized the issuance of 45,000 shares of its Preference Stock as a new series of such stock, designated as the Preference Stock, 8.47% Series (said 45,000 shares being hereinafter called the "Preference Stock") of the par value of \$100 per share. The Company agrees to issue and sell to you, and you agree to purchase from the Company, subject to the terms and conditions hereinafter set forth, the Preference Stock at a price equal to \$100 per share. The Preference Stock shall have (a) the rights and preferences provided for all series of the Preference Stock of the Company in the respects in which such rights and preferences must be identical for all series of such Stock as set forth in Paragraph 5 of the Charter and Articles of Incorporation of the Company, as amended (the Charter and Articles of Incorporation as so amended being referred to as the "Articles of Incorporation"), a true and complete copy of which has heretofore been delivered to you, and (b) the relative rights and preferences set forth in Exhibit A hereto, with such changes therein as may be agreed upon by you and the Company, in the respects in which the rights and preferences of any particular series of the Preference Stock may vary from other series of such Stock.

2. Closing. Delivery of and payment for the Preference Stock (the "Closing") shall be made at the offices of the law firm of Stoll, Keenon & Park at 1000 First Security Plaza, Lexington, Kentucky 40507, at 10 a.m. local time on Friday, January 24, 1992, or at such other date and time or such other place as shall be mutually agreed to. Payment shall be made to the order of the Company in immediately available funds to Account No. 0020180394 at Signet Bank/Maryland, 7 St. Paul Street, Baltimore, Maryland 21202 (ABA No. 052000016). Delivery shall be made to you of ten certificates, each representing 4,500 shares of the Preference Stock, for an aggregate amount of 45,000 shares of the Preference Stock, registered in your name or in the name of such nominee as you may designate in writing at least five (5) days prior to the Closing. For the purpose of this Agreement, shares of the Preference Stock held by a nominee designated by you shall be deemed to be held by you.

3. Redemption of Preference Stock. ~~The~~ Preference Stock is subject to optional and mandatory redemption at such time or times, and from time to time, and on such terms as provided in the resolutions of the Company's Board of Directors establishing the Preference Stock, which resolutions shall be in the form set forth in Exhibit A hereto, with such changes therein as may be agreed upon by you and the Company.

4. Representations.

4.1. Representations of the Company. The Company represents that the matters set forth in paragraphs 1 through 13 of the form of certificate annexed hereto as Exhibit "B" are true and correct as of the date hereof and such matters are hereby incorporated herein by reference with the same force and effect as though herein set forth in full.

4.2. Company's Use of Proceeds. The Company represents that the net proceeds from the sale of the Preference Stock will be used to repay or reduce outstanding short-term debt issued for purposes of

(i) funding construction programs and (ii) satisfying sinking fund provisions of existing debt securities, and the balance of said proceeds will be used to fund additional new construction. The Company will not use any part of the proceeds from the sale of the Preference Stock, directly or indirectly, for the purpose of purchasing or carrying any margin stock within the meaning of Regulation G (12 CFR Part 207) promulgated by the Board of Governors of the Federal Reserve System, as now amended, nor for the purpose of purchasing or carrying any other securities.

4.3. Representations of the Purchaser. You represent (i) that your purchase of the Preference Stock under this Agreement is for your own account, for investment and not with a view toward distribution or resale thereof, provided, however, that you reserve the right to dispose of all or any part of the Preference Stock by sale or other distribution not in violation of The Securities Act of 1933, as amended (the "Act"), or the rules and regulations thereunder, if at some future time in your sole discretion you deem it advisable to do so; and (ii) that you are not a registered investment company or a company controlled by a registered investment company as defined in the Investment Company Act of 1940. You understand that the Preference Stock is not being registered under the Act and agree that you will not resell or otherwise dispose of the Preference Stock or any interest therein except upon effective registration under the Act or unless an exemption therefrom is available under the Act. You hereby agree that the following legend will appear on the certificates of Preference Stock: THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND LAWS. The Company's obligation to sell the Preference Stock to you hereunder is subject to the condition that at the Closing you confirm, by accepting delivery of the Preference Stock, the aforesaid representations and agreements as if made at that time.

5. Closing Conditions. Your obligation to purchase and the Company's obligation to sell the Preference Stock pursuant to this Agreement are conditioned upon:

5.1. Additional Bonds. The issue and sale, at or prior to the Closing, of \$13,000,000 aggregate principal amount of a new series of the General Mortgage Bonds of the Company to be known and designated as the "Bonds of the 8.36% Series".

5.2. Governmental Authorization. The authorization, prior to the Closing, of the issue and sale of the Preference Stock and the Bonds of the 8.36% Series by the Public Service Commission of the Commonwealth of Kentucky, whose authorization is required, which authorization shall not contain any conditions deemed by the Company to be burdensome to it.

5.3. Closing Certificate. The Company shall deliver to you at the Closing a certificate duly authorized, executed and delivered by the Company substantially in the form of the certificate attached hereto as Exhibit "B", the truth and accuracy of which, at the time of Closing, shall be a condition precedent to your obligations hereunder.

5.4. Opinions. You shall receive at the Closing from Chapman and Cutler, your special counsel in connection with this transaction, and from Stoll, Keenon & Park, counsel for the Company, their opinions satisfactory to you and covering the matters set forth in Exhibit "C" hereto.

5.5. Proceedings and Documents. All proceedings to be taken in connection with the transactions contemplated by this Agreement, and all documents incident thereto, shall be satisfactory in form and substance to you and your special counsel; and you and your special counsel shall have received counterparts, originals or certified or other copies of all documents which you may reasonably request in connection with said transactions and all corporate proceedings in

connection therewith, in form and substance satisfactory to you and your special counsel, such documents where appropriate to be certified by the proper corporate or governmental authorities.

6. Expenses. The Company agrees to bear all reasonable expenses in connection with the transactions herein contemplated whether or not such transactions are effected, including the reasonable fees and out-of-pocket disbursements of Chapman and Cutler, your special counsel in connection with the transactions contemplated by this Agreement.

7. Inability to Complete Transaction. In the event that the transactions herein contemplated are not carried out by reason of the inability of either party hereto to perform any of the conditions herein specified, neither party hereto shall be responsible to the other for any damages or otherwise by reason thereof, except that the Company shall in any event be responsible for all reasonable expenses as provided in paragraph 6 hereof.

8. Financial Statements. The Company agrees that, so long as you shall hold any of the Preference Stock purchased hereunder, it will deliver to you:

8.1. As soon as practicable, and in any event within sixty (60) days, after the end of each quarterly period, except the last, of each fiscal year of the Company, (i) a copy of its balance sheet as at the end of such quarterly period; and (ii) a copy of its income statement for the twelve (12) month period and for the portion of the fiscal year to the end of such quarterly period, together with the figures for the corresponding periods one (1) year prior thereto, in reasonable detail, prepared in accordance with generally accepted accounting principles consistently applied, and certified by the Comptroller or an Assistant Comptroller of the Company.

8.2. As soon as practicable, and in any event within one hundred twenty (120) days, after the end of each fiscal year of the Company, a copy of its balance sheet as at the end of such year and its statements

of income, retained earnings and cash flows for such year together with the figures for the corresponding period for the fiscal year immediately prior thereto, in reasonable detail, prepared in accordance with generally accepted accounting principles consistently applied, and certified by independent accountants of recognized national standing selected by the Company.

8.3. Such other information pertinent to an evaluation of your investment as you may reasonably request from time to time.

9. Inspection of Properties and Books. The Company agrees that, after the execution and delivery of this Agreement and so long as you shall hold any of the Preference Stock sold to you hereunder, you shall have the right at your expense to visit and inspect the Company's properties under its guidance, to examine its books of account, to make extracts therefrom, and to discuss its affairs, finances and accounts with and be advised as to the same by its officers, all at reasonable times and at reasonable intervals. This privilege may be exercised by any of your financial officers or by anyone duly designated for the purpose in writing by any such financial officer.

10. Preparation and Delivery of Preference Stock. The Company shall bear all expenses in connection with the preparation, issue and initial delivery to you of the certificates for the Preference Stock, including documentary or other similar taxes upon the original issue of such Preference Stock, but not including any taxes with respect to any transfer thereof. The Company will pay the reasonable cost of shipping the certificates for the Preference Stock delivered to you at the Closing to your home office or to a depository designated by you.

Upon the surrender of any certificate for shares of the Preference Stock, at the request of the holder of such shares, the Company will execute and deliver, at the Company's expense (except as provided below), new certificates in exchange, in an aggregate number of shares equal to the number of shares represented by the surrendered certificates. Such new certificates

shall be registered in the name of such person as such holder may request. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any transfer.

11. Home Office Payment. While any of the Preference Stock purchased by you hereunder is owned by you (or a nominee designated by you) or by any institutional investor (or a nominee designated by it), the Company will cause payment of the quarterly dividend on, and the redemption price of, the shares of the Preference Stock so owned to be made directly to you at the address appearing, and in the manner indicated, in the attached Schedule 1 (unless you shall have designated another address or method of payment in writing) or directly to an institutional investor at such address as it may designate in writing, but with respect to payment of the redemption price, only upon surrender to the Company of the shares of the Preference Stock being redeemed.

~~-----~~ If at any time there is more than one owner of the Preference Stock, the Company will not at any time redeem any portion of the Preference Stock without redeeming your pro rata portion of the total number of shares of Preference Stock then being redeemed.

For the purposes of this paragraph 11, your pro rata portion of the Preference Stock shall mean that portion (rounded off to the nearest whole share) which bears the same ratio to the total number of shares then held by you as the ratio that the aggregate number of shares then involved in the proposed transaction bears to the aggregate number of shares then outstanding.

You will be given written notice of any redemption of the Preference Stock at least thirty (30) days prior to the date fixed for redemption, of the date so fixed and the shares to be redeemed, and you agree to accept such notice in lieu of any notice required by the provisions of the Charter. In such case, the particular shares held by you to be redeemed may be selected by you.

12. Payments Falling On Weekends, Holidays, etc. In the event that a dividend payment date or a date fixed for redemption of any of the Preference Stock shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City from where the payment is to be made are authorized by law to close, then payment of the dividend or redemption of such stock need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in the City from where the payment is to be made are authorized by law to close, with the same force and effect as if made on the dividend payment date or the date fixed for redemption.

13. Loss, Theft or Destruction of Stock Certificates. In the event of mutilation of any certificates of Preference Stock owned by you, upon surrender and cancellation of such certificates of Preference Stock, the Company will deliver a new certificate of Preference Stock, of like tenor, in lieu of such mutilated certificate of Preference Stock. If you are the owner of any lost, stolen or destroyed certificates of Preference Stock, then the affidavit of your President or a Vice President, setting forth the fact of loss, theft or destruction and of your ownership of the certificates of Preference Stock at the time of such loss, theft or destruction shall be accepted by the Company as satisfactory evidence thereof, and no indemnity shall be required as a condition to execution and delivery of a new certificate of Preference Stock other than your written agreement to indemnify the Company against any loss suffered by it arising out of the issuance of such new certificate. No charge will be made to you for the delivery of a new certificate of Preference Stock pursuant to this paragraph.

14. Notice of Default. The Company agrees that it will give you written notice of any default by the Company in the payment of dividends on any shares of Preference Stock, any default in redeeming any shares of Preference Stock pursuant to any Sinking Fund established for any series of Preference Stock and any other default in the observance or performance of the provisions of the Company's Charter as from time to time in effect, such notice to be given by the Company within three (3) business days after an officer of the Company shall have obtained knowledge of the occurrence of such default.

15. Treatment of Preference Stock as Equity. The Company (i) will not treat the Preference Stock as debt or treat the dividends paid thereon as interest paid on debt in any report to shareholders or any governmental body having jurisdiction over the accounts of the Company unless required to do so by a governmental body having jurisdiction over the accounts of the Company, and (ii) will not take any other action which could reasonably be expected to adversely affect the treatment of the Preference Stock as equity capital.

16. Repurchase of Shares. The Company will not, directly or indirectly, make any offer to repurchase any shares of Preference Stock unless the offer has been made to repurchase shares, pro rata, from all holders of shares of Preference Stock at the same time and at the same price and upon the same terms.

17. Survival. All covenants, agreements, representations and warranties made herein, and in certificates delivered pursuant hereto, by or on behalf of the Company, shall survive the execution and delivery of the Preference Stock to you hereunder and your payment therefor, and shall bind and inure to the benefit of the respective parties hereto and their successors and assigns.

18. Notices. All communications provided for hereunder shall be in writing, and, if to you, mailed or delivered to the address and for the attention of the person shown in Schedule 1, or, if to the Company, mailed or delivered to the President, any Vice President or the Secretary of the Company at P. O. Box 593, Charleston, West Virginia 25322, or in either case such other address as may be designated in writing by the party to receive such notice.

19. Entire Agreement. It is understood and agreed that in entering into this Agreement you have not relied on any oral representations or oral warranties or oral information made or given to you by any representatives of the Company or by anyone on its behalf, and that all statements, covenants, agreements, representations and warranties made herein supersede any oral or written statements inconsistent therewith. Any amendment hereto must be in writing.

20. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

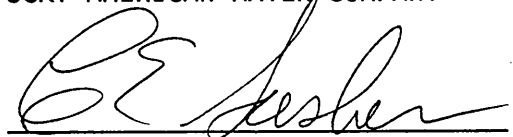
22. Captions. The headings preceding the text of the sections hereof are inserted solely for convenience of reference and shall not constitute a part of this Agreement nor affect its meaning, construction or effect.

If the foregoing is satisfactory to you, please sign the form of acceptance on the enclosed counterpart of this letter and forward the same to the Company, whereupon this letter will become a binding agreement between you and the Company.

Very truly yours,

KENTUCKY-AMERICAN WATER COMPANY

By



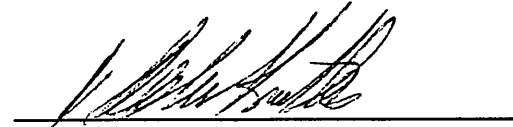
Its

C. E. Sasher
Vice President

The foregoing Agreement is hereby accepted as of the date first above written.

FIRST COLONY LIFE INSURANCE COMPANY

By



Its

Senior Vice President

KENTUCKY-AMERICAN WATER COMPANY

SCHEDULE 1 TO PREFERENCE STOCK PURCHASE AGREEMENT

<u>Name and Address of Purchaser and Payment Information</u>	<u>Aggregate Number of Shares of Preference Stock to be Purchased</u>
First Colony Life Insurance Company 700 Main Street P. O. Box 1280 Lynchburg, Virginia 24504 Attention: J. Alden Butler	45,000

All notices and other communications, including notices with respect to payment and written confirmation of such payment, to be addressed as above.

(Taxpayer I.D. No. 54-0596414)

All payments to be made as follows:

By bank wire transfer of Federal or other immediately available funds (identifying each payment as "Kentucky-American Water Company, 8.47% Series Preference Stock") to:

Crestar/Richmond
ABA # : 05-10-0002-0

for credit to First Colony Life Insurance Company
Account #: 10765400
Attention: Barbara Crossman

Name of Nominee in which Preference Stock is to be issued: None

This is a THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of the first day of December, 1993, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIRST FIDELITY BANK, N.A., PENNSYLVANIA (formerly The Fidelity Bank), a national banking association with its principal place of business in Philadelphia, Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Thirteenth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970, (d) a Second Supplemental Indenture dated as of September 1, 1974, (e) a Third Supplemental Indenture dated as of November 1, 1977, (f) a Fourth Supplemental Indenture dated as of December 1, 1982, (g) a Fifth Supplemental Indenture dated as of June 1, 1983, (h) a Sixth Supplemental Indenture dated as of August 1, 1985, (i) a Seventh Supplemental Indenture dated as of January 1, 1987, (j) an Eighth Supplemental Indenture dated as of September 1, 1988, (k) a Ninth Supplemental Indenture dated as of October 1, 1989, (l) a Tenth Supplemental Indenture dated as of November 1, 1990, (m) an Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990, (n) an Eleventh Supplemental Indenture dated as of December 1, 1991, and (o) a Twelfth Supplemental Indenture dated as of December 1, 1992, the Original Indenture and any and all indentures supplemental thereto being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

Return To:
Frank L. Wilford, Esq.
Stoll Keenon & Park
201 E. Main St. Suite 1000
Lexington, KY 40507

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds were outstanding when redeemed, in full, on March 1, 1993, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds were outstanding when redeemed, in full, on December 1, 1992, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$920,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on October 1, 1992, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,100,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on March 1, 1993, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds were paid and retired, in full, on December 1, 1992, (f) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds are presently outstanding, (g) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds are presently outstanding, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, (i) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding, (j) \$4,000,000 aggregate principal amount of General Mortgage Bonds, 9.83% Series, due November 1, 2000, all of which bonds are presently outstanding, (k) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 8.36% Series, due December 1, 2001, all of which bonds are presently outstanding, and (l) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 7.21% Series, due December 1, 2002, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this thirteenth supplemental indenture (hereinafter referred to as the "Thirteenth Supplemental Indenture") in order to

create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 6.96% Series, due December 1, 2023 (hereinafter referred to as the "Bonds of the 6.96% Series" as hereinafter provided in this Thirteenth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 6.96% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$7,000,000 aggregate principal amount of Bonds of the 6.96% Series.

E. All things necessary to make the Bonds of the 6.96% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Thirteenth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Thirteenth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 6.96% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS THIRTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 6.96% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited and defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date of maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided,

further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS THIRTEENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 6.96% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 6.96% Series, due December 1, 2023", herein called the "Bonds of the 6.96% Series". The following terms are hereby prescribed for the Bonds of the 6.96% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 6.96% Series dated prior to June 1, 1994, the first interest payment date for such Bonds, shall bear interest from the date of such Bond.

(b) The aggregate principal amount of the Bonds of the 6.96% Series is limited to \$7,000,000.

(c) The Bonds of the 6.96% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively NR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 6.96% Series shall be due December 1, 2023.

(e) The principal of, premium, if any, and interest on the Bonds of the 6.96% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 6.96% Series, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of payment in full of the principal thereof, to the presentation and surrender of such Bonds as provided in the Indenture.

(f) The Bonds of the 6.96% Series shall be dated as of the date of their authentication, except that if any Bond of the 6.96% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 6.96% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to June 1, 1994, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of six and ninety-six hundredths percent (6.96%) per annum, payable semiannually on the first day of June and December of each year, commencing on the first day of June, 1994. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 6.96% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 6.96% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 6.96% Series are to be redeemed the particular Bonds of the 6.96% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the

outstanding Bonds of the 6.96% Series by prorating (in the proportion that the principal amount of Bonds of the 6.96% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 6.96% Series) the principal amount of Bonds of the 6.96% Series to be redeemed among the registered owners of Bonds of the 6.96% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 6.96% Series.

(j) The Bonds of the 6.96% Series shall not be convertible.

(k) The Bonds of the 6.96% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 6.96% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Thirteenth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 6.96% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 6.96% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 6.96% SERIES

The Bonds of the 6.96% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Thirteenth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 6.96% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 6.96% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 6.96% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 6.96% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 6.96% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 6.96% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Thirteenth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Thirteenth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Thirteenth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set

forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Thirteenth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

This Thirteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and First Fidelity Bank, N.A., Pennsylvania, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

ATTEST:

KENTUCKY-AMERICAN WATER COMPANY

Stephen M. Chambers
Secretary

By *D. L. Edgemore*
President


(CORPORATE SEAL)

ATTEST:

FIRST FIDELITY BANK, N.A., PENNSYLVANIA



Assistant Secretary

By 

Assistant Vice President

(CORPORATE SEAL)

STATE OF WEST VIRGINIA)

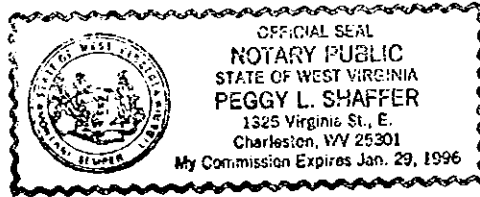
COUNTY OF KANAWHA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 15th day of December, 1993, by D. L. Edgemon, President of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

My commission expires: January 29, 1996.

Peggy L. Shaffer

Notary Public



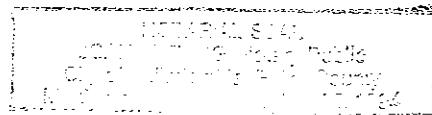
COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF PHILADELPHIA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 16th day of December, 1993, by John H. Clapham, Asst. Vice President of First Fidelity Bank, N.A., Pennsylvania, on behalf of the corporation.

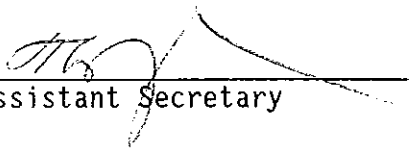
My commission expires: July 25, 1994.

Jean M. Berg
Notary Public



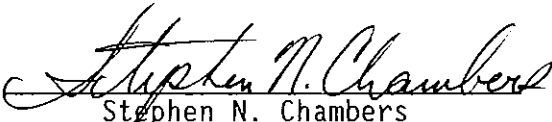
First Fidelity Bank, N.A., Pennsylvania, mortgagee and trustee within named, hereby certifies that its precise name and address are First Fidelity Bank, N.A., Pennsylvania, 123 South Broad Street, Philadelphia, Pennsylvania.

FIRST FIDELITY BANK, N.A., PENNSYLVANIA

By  Assistant Secretary

This Thirteenth Supplemental Indenture was prepared by

Stephen N. Chambers, Esquire
1325 Virginia Street, East
P. O. Box 593
Charleston, WV 25322

By 
Stephen N. Chambers

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank (a predecessor to First Fidelity Bank, N.A., Pennsylvania), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by thirteen supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are, and are to be, secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Thirteenth Supplemental Indenture dated as of December 1, 1993, between the Company and the Trustee ("Thirteenth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 6.96% Series, due December 1, 2023" (hereinafter referred to as the "Bonds of the 6.96% Series").

The lien of the Indenture on the property of the Company is subject to the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 6.96% Series are not subject to redemption at the option of the Company pursuant to Section 6.03 or Section 6.04 of the Original Indenture or otherwise under the Indenture, except as hereinafter provided. The Bonds of the 6.96% Series may be redeemed at the option of the Company, in whole or in part (but if in part, then in a minimum principal amount of \$100,000 and in the proportion that the principal amount of the Bonds of the 6.96% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 6.96% Series), at any time and from time to time on or after December 1, 2003, upon payment of a redemption price equal to the principal amount thereof

to be redeemed, together with interest accrued thereon to the date fixed for redemption, plus a premium equal to the "Make-Whole Premium", as hereinafter defined. The Make-Whole Premium shall be determined five (5) business days prior to the date fixed for redemption. Notice of the Make-Whole Premium, if any, together with the calculations, in reasonable detail, used to determine any such premium shall be given to the Trustee and each holder of the Bonds of the 6.96% Series on the day it is determined, by telecopy or other same-day communication.

"Make-Whole Premium" shall mean, in connection with any redemption, the excess, if any, of (i) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the date of redemption) that would have been payable in respect of each such dollar of principal if such redemption had not been made, said present value to be determined by discounting such amounts at the "Reinvestment Rate" (hereinafter defined) from the respective dates on which such principal and interest would have been payable, over (ii) 100% of the principal amount of the outstanding Bonds of the 6.96% Series being redeemed. If the Reinvestment Rate is equal to or higher than 6.96%, the Make-Whole Premium shall be zero.

"Reinvestment Rate" shall mean the sum of (i) 0.5% plus (ii) the arithmetic mean of the yields for the two columns under the heading "Week Ending" published in the Statistical Release (hereinafter defined) under the caption "Treasury Constant Maturities" for the period corresponding to the remaining life to maturity of the Bonds of the 6.96% Series. If no published maturity exactly corresponds to such period, yields for the two published maturities most closely corresponding to such period shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the premium hereunder shall be used.

"Statistical Release" shall mean the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded United States Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the Bonds of the 6.96% Series then outstanding.

The Bonds of the 6.96% Series shall be subject to mandatory redemption at any time in the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof. The award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 6.96% Series shall be 100% of the principal amount thereof, plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount

then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

If the Bonds of the 6.96% Series, or any portion thereof, are called for redemption, and payment thereof is duly provided for as specified in the Original Indenture, interest shall cease to accrue thereon or on such portion being redeemed, as the case may be, from and after the date fixed for redemption.

In all cases of redemption, notice shall be given by registered mail to the owners thereof at least twenty-five (25) days before the date fixed for redemption, all on the conditions and in the manner provided in the Indenture.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 6.96% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Original Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium, if any,

or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 6.96% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 6.96% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such

incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until First Fidelity Bank, N.A., Pennsylvania, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated this 1st day of Dec, 1993.

KENTUCKY-AMERICAN WATER COMPANY

By D. L. Edgemon
President

Attest: _____
Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE FOR BONDS OF THE 6.96% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Thirteenth Supplemental Indenture.

FIRST FIDELITY BANK, N.A., PENNSYLVANIA as Trustee

By _____ Authorized Officer

STATE OF KENTUCKY, COUNTY OF WOODFORD, I, CORINE C. WOOLUMS, CLERK OF WOODFORD COUNTY, HEREBY CERTIFY THAT THE FOREGOING INSTRUMENT HAS BEEN FILED IN MY OFFICE

FOR RECORD, AT 11:25 A.M. ON THE 20th DAY OF Nov 1993 CORINE C. WOOLUMS, CLERK

BY: Corine C. Woolums D.C.

DOCUMENT NO: 51962
RECORDED ON: JUNE 11, 1998 03:15:21PM
TOTAL FEES: \$54.00
COUNTY CLERK: ANITA JONES
COUNTY: CLARK COUNTY
DEPUTY CLERK: LADONNA STAMPER

JS

This is a FIFTEENTH SUPPLEMENTAL INDENTURE, dated as of the first day of February, 1997, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIRST UNION NATIONAL BANK (formerly FIRST FIDELITY BANK, NATIONAL ASSOCIATION, formerly FIRST FIDELITY BANK, N.A., PENNSYLVANIA, formerly FIDELITY BANK, NATIONAL ASSOCIATION and formerly THE FIDELITY BANK), a national banking association having its office in the City of Philadelphia, Commonwealth of Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Fifteenth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970, (d) a Second Supplemental Indenture dated as of September 1, 1974, (e) a Third Supplemental Indenture dated as of November 1, 1977, (f) a Fourth Supplemental Indenture dated as of December 1, 1982, (g) a Fifth Supplemental Indenture dated as of June 1, 1983, (h) a Sixth Supplemental Indenture dated as of August 1, 1985, (i) a Seventh Supplemental Indenture dated as of January 1, 1987, (j) an Eighth Supplemental Indenture dated as of September 1, 1988, (k) a Ninth Supplemental Indenture dated as of October 1, 1989, (l) a Tenth Supplemental Indenture dated as of November 1, 1990, (m) an Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990, (n) an Eleventh Supplemental Indenture dated as of December 1, 1991, (o) a Twelfth Supplemental Indenture dated as of December 1, 1992, (p) a Thirteenth Supplemental Indenture dated as of December 1, 1993, and (q) a Fourteenth Supplemental Indenture dated as of September 1, 1995, the Original Indenture and any and all indentures supplemental thereto being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and

outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds were outstanding when redeemed, in full, on March 1, 1993, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds were outstanding when redeemed, in full, on December 1, 1992, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$920,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on October 1, 1992, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,100,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on March 1, 1993, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds were paid and retired, in full, on December 1, 1992, (f) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds have been redeemed as of the date hereof, (g) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds have been redeemed as of the date hereof, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, (i) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding, (j) \$4,000,000 aggregate principal amount of General Mortgage Bonds, 9.83% Series, due November 1, 2000, all of which bonds are presently outstanding, (k) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 8.36% Series, due December 1, 2001, all of which bonds are presently outstanding, (l) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 7.21% Series, due December 1, 2002, all of which bonds are presently outstanding, (m) \$7,000,000 aggregate principal amount of General Mortgage Bonds, 6.96% Series, due December 1, 2023, all of which bonds are presently outstanding, and (n) \$5,500,000 aggregate principal amount of General Mortgage Bonds, 6.79% Series, due September 1, 2005, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this fifteenth supplemental indenture (hereinafter referred to as the "Fifteenth Supplemental Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 7.15% Series, due February 1, 2027 (hereinafter referred to as the "Bonds of the 7.15% Series" as hereinafter provided in this Fifteenth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 7.15% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$7,500,000 aggregate principal amount of Bonds of the 7.15% Series.

E. All things necessary to make the Bonds of the 7.15% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Fifteenth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Fifteenth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 7.15% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS FIFTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 7.15% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and

pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited and defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date of maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously

on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS FIFTEENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 7.15% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 7.15% Series, due February 1, 2027", herein called the "Bonds of the 7.15% Series". The following terms are hereby prescribed for the Bonds of the 7.15% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 7.15% Series dated prior to August 1, 1997, the first interest payment date for such Bonds, shall bear interest from the date of such Bond.

(b) The aggregate principal amount of the Bonds of the 7.15% Series is limited to \$7,500,000.

(c) The Bonds of the 7.15% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively PR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 7.15% Series shall be due February 1, 2027.

(e) The principal of, premium, if any, and interest on the Bonds of the 7.15% Series shall be payable at the office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 7.15% Series, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of payment in full of the principal thereof, to the presentation and surrender of such Bonds as provided in the Indenture.

(f) The Bonds of the 7.15% Series shall be dated as of the date of their authentication, except that if any Bond of the 7.15% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 7.15% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to August 1, 1997, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of seven and fifteen hundredths percent (7.15%) per annum, payable semiannually on the first day of February and August of each year, commencing on the first day of August, 1997. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 7.15% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 7.15% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 7.15% Series are to be redeemed the particular Bonds of the 7.15% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 7.15% Series by prorating (in the proportion that the principal amount of Bonds of

the 7.15% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 7.15% Series) the principal amount of Bonds of the 7.15% Series to be redeemed among the registered owners of Bonds of the 7.15% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 7.15% Series.

(j) The Bonds of the 7.15% Series shall not be convertible.

(k) The Bonds of the 7.15% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 7.15% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Fifteenth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 7.15% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 7.15% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth

in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 7.15% SERIES

The Bonds of the 7.15% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Fifteenth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 7.15% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 7.15% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 7.15% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 7.15% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 7.15% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 7.15% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03

or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance

with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with

exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fifteenth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Fifteenth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Fifteenth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

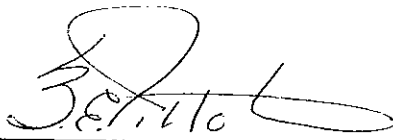
MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Fifteenth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

This Fifteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIRST UNION NATIONAL BANK, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by one of its Authorized Officers, all as of the day and year first above written.

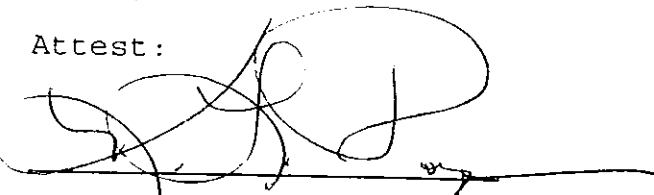
KENTUCKY-AMERICAN WATER COMPANY

By: 

B.E. Tillotson
Vice President and Treasurer

(SEAL)

Attest:




K.L. Pape
Secretary

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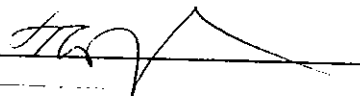
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FIRST UNION NATIONAL BANK

By: 
Its: Vice President

(SEAL)

Attest:


Assistant Vice President
Authorized Officer

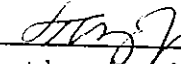
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CERTIFICATE OF RESIDENCE

First Union National Bank, mortgagee and trustee within named, hereby certifies that its precise name and address are First Union National Bank, 123 South Broad Street, Philadelphia, Pennsylvania.

FIRST UNION NATIONAL BANK

By: 
Authorized Officer

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This Fifteenth Supplemental Indenture was prepared by:

Kathy L. Pape, Esquire
1025 Laurel Oak Road
Voorhees, New Jersey 08043

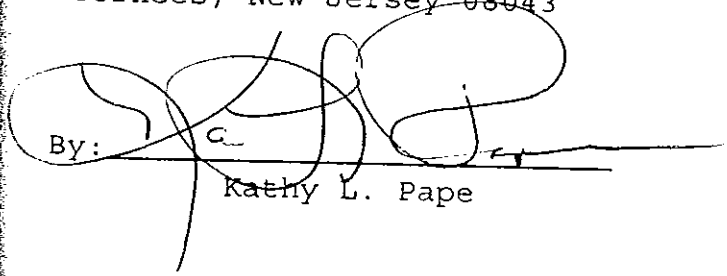
By: 
Kathy L. Pape

EXHIBIT A

(FORM OF BOND OF 7.15% SERIES)

THIS BOND HAS NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND LAWS.

No. PR-

KENTUCKY-AMERICAN WATER COMPANY

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GENERAL MORTGAGE BOND, 7.15% SERIES, DUE FEBRUARY 1, 2027

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns, on the first day of February, 2027, at the office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of

Dollars (\$ _____) in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this Bond (or, if this Bond be dated prior to August 1, 1997, from the date hereof) until the principal hereof is paid or duly provided for, at the rate of seven and fifteen hundredths percent (7.15%) per annum,

in like coin or currency, semiannually on the first day of February and the first day of August in each year, commencing on the first day of August, 1997; provided that the principal of and the premium, if any, and interest on this Bond may be paid by agreement of the Company with the registered owner of this Bond, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of the payment in full of the principal of this Bond, to the presentation and surrender of the Bond as provided in the Indenture.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to First Union National Bank (formerly First Fidelity Bank, National Association, formerly First Fidelity Bank, N.A., Pennsylvania, formerly Fidelity Bank, National Association, and formerly The Fidelity Bank), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by fifteen supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are, and are to be, secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Fifteenth Supplemental Indenture dated as of February 1, 1997, between the Company and the Trustee ("Fifteenth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 7.15% Series, due February 1, 2027" (hereinafter referred to as the "Bonds of the 7.15% Series").

The lien of the Indenture on the property of the Company is subject to the Permitted Encumbrances as defined in the

Indenture.

The Bonds of the 7.15% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Original Indenture or otherwise under the Indenture at the option of the Company, except as hereinafter in the following four paragraphs of this bond expressly provided.

The Bonds of the 7.15% Series are subject to redemption, in whole at any time or in part on any interest payment date, at the option of the Company at the redemption price equal to the principal amount of the Bonds of the 7.15% Series, or portions thereof to be redeemed, together with interest accrued on such Bonds to the date fixed for their redemption plus a premium equal to the "Make-Whole Premium" (defined below) determined three (3) business days prior to the date fixed for their redemption. The Company will furnish notice to the Trustee and each holder of the Bonds of the 7.15% Series (by telecopy or other same-day written communication confirmed by the recipient, on a date at least two (2) business days prior to the date fixed for redemption of the Bonds of the 7.15% Series) of the premium, if any, applicable to such redemption and the calculations, in reasonable detail, used to determine the amount of any such premium.

"Make-Whole Premium" shall mean, in connection with any redemption, the excess, if any, of (i) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the date of redemption) that would have been payable in respect of such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate from the respective dates on which they would have been payable, over (ii) 100% of the principal amount of the outstanding Bonds of the 7.15% Series being redeemed. If the Reinvestment Rate is equal to or higher than 7.15%, the Make-Whole Premium shall be zero.

"Reinvestment Rate" shall mean the sum of (i) 0.50% plus (ii) the yield on actively traded United States Treasury securities having a maturity (rounded to the nearest month) corresponding to the remaining term of the Bonds of the 7.15% Series (a) as reported on page "USD" of the Bloomberg Financial Markets Services Screen or, if not available, (b) any other nationally

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recognized trading screen reporting on-line intraday trading in United States Treasury securities, in either case at 11:00 a.m. (New York time) on the fifth business day prior to the date fixed for redemption (the "Determination Date"), or in the event that no such nationally recognized trading screen reporting on-line intraday trading in United States Treasury securities is available, (c) as determined by reference to such other publicly available source of similar market data (published on the date most recently preceding the Determination Date) which shall be designated by the holders of 66-2/3% in aggregate principal amount of the outstanding Bonds of the 7.15% Series. If no maturity exactly corresponds to such remaining term of the Bonds of the 7.15% Series, yields for the two maturities most closely corresponding to such remaining term of the Bonds of the 7.15% Series shall be determined pursuant to clause (ii) of the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

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The Bonds of the 7.15% Series shall be subject to mandatory redemption at any time in the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof. The award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 7.15% Series shall be 100% of the principal amount thereof, plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates

applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

If the Bonds of the 7.15% Series, or any portion thereof, are called for redemption, and payment thereof is duly provided for as specified in the Original Indenture, interest shall cease to accrue thereon or on such portion being redeemed, as the case may be, from and after the date fixed for redemption.

In all cases of redemption, notice shall be given by registered mail to the owners thereof at least twenty-five (25) days before the date fixed for redemption, all on the conditions and in the manner provided in the Indenture.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture

provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 7.15% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Original Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written

consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium, if any, or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 7.15% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 7.15% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future

stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until First Union National Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated this _____ day of February, 1997.

KENTUCKY-AMERICAN WATER COMPANY

By: _____
Vice President and Treasurer

Attest:

Secretary

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(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 7.15% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Fifteenth Supplemental Indenture.

FIRST UNION NATIONAL BANK,
as Trustee

By: _____
Authorized Officer

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This is a SIXTEENTH SUPPLEMENTAL INDENTURE, dated as of the first day of June, 1998, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIRST UNION NATIONAL BANK (formerly FIRST FIDELITY BANK, NATIONAL ASSOCIATION, formerly FIRST FIDELITY BANK, N.A., PENNSYLVANIA, formerly FIDELITY BANK, NATIONAL ASSOCIATION and formerly THE FIDELITY BANK), a national banking association having its office in the City of Philadelphia, Commonwealth of Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Sixteenth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970, (d) a Second Supplemental Indenture dated as of September 1, 1974, (e) a Third Supplemental Indenture dated as of November 1, 1977, (f) a Fourth Supplemental Indenture dated as of December 1, 1982, (g) a Fifth Supplemental Indenture dated as of June 1, 1983, (h) a Sixth Supplemental Indenture dated as of August 1, 1985, (i) a Seventh Supplemental Indenture dated as of January 1, 1987, (j) an Eighth Supplemental Indenture dated as of September 1, 1988, (k) a Ninth Supplemental Indenture dated as of October 1, 1989, (l) a Tenth Supplemental Indenture dated as of November 1, 1990, (m) an Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990, (n) an Eleventh Supplemental Indenture dated as of December 1, 1991, (o) a Twelfth Supplemental Indenture dated as of December 1, 1992, (p) a Thirteenth Supplemental Indenture dated as of December 1, 1993, (q) a Fourteenth Supplemental Indenture dated as of September 1, 1995, and (r) a Fifteenth Supplemental Indenture dated as of February 1, 1997, the Original Indenture and any and all indentures supplemental thereto being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the

Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds were outstanding when redeemed, in full, on March 1, 1993, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds were outstanding when redeemed, in full, on December 1, 1992, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$920,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on October 1, 1992, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,100,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on March 1, 1993, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds were paid and retired, in full, on December 1, 1992, (f) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds have been redeemed as of the date hereof, (g) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds have been redeemed as of the date hereof, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, (i) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding, (j) \$4,000,000 aggregate principal amount of General Mortgage Bonds, 9.83% Series, due November 1, 2000, all of which bonds are presently outstanding, (k) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 8.36% Series, due December 1, 2001, all of which bonds are presently outstanding, (l) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 7.21% Series, due December 1, 2002, all of which bonds are presently outstanding, (m) \$7,000,000 aggregate principal amount of General Mortgage Bonds, 6.96% Series, due December 1, 2023, all of which bonds are presently outstanding, (n) \$5,500,000 aggregate principal amount of General Mortgage Bonds, 6.79% Series, due September 1, 2005, and (o) \$7,500,000 aggregate principal amount of General Mortgage Bonds, 7.15% Series, due February 1, 2027, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this sixteenth supplemental indenture (hereinafter referred to as the "Sixteenth Supplemental Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 6.99%

Series, due June 1, 2028 (hereinafter referred to as the "Bonds of the 6.99% Series" as hereinafter provided in this Sixteenth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 6.99% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$9,000,000 aggregate principal amount of Bonds of the 6.99% Series.

E. All things necessary to make the Bonds of the 6.99% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Sixteenth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Sixteenth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 6.99% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS SIXTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 6.99% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensembling and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and

to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited and defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date of maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS SIXTEENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 6.99% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 6.99% Series, due June 1, 2028", herein called the "Bonds of the 6.99% Series". The following terms are hereby prescribed for the Bonds of the 6.99% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 6.99% Series dated prior to December 31, 1998, the first interest payment date for such Bonds, shall bear interest from the date of such Bond.

(b) The aggregate principal amount of the Bonds of the 6.99% Series is limited to \$9,000,000.

(c) The Bonds of the 6.99% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively PR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 6.99% Series shall be due June 1, 2028.

(e) The principal of, premium, if any, and interest on the Bonds of the 6.99% Series shall be payable at the office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 6.99% Series, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of payment in full of the principal thereof, to the presentation and surrender of such Bonds as provided in the Indenture.

(f) The Bonds of the 6.99% Series shall be dated as of the date of their authentication, except that if any Bond of the 6.99% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 6.99% Series shall bear interest from the interest payment date next preceding the date of

authentication (except that Bonds authenticated prior to December 1, 1998, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of six and ninety-nine hundredths percent (6.99%) per annum, payable semiannually on the first day of June and December of each year. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 6.99% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 6.99% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 6.99% Series are to be redeemed the particular Bonds of the 6.99% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 6.99% Series by prorating (in the proportion that the principal amount of Bonds of the 6.99% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 6.99% Series) the principal amount of Bonds of the 6.99% Series to be redeemed among the registered owners of Bonds of the 6.99% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 6.99% Series.

(j) The Bonds of the 6.99% Series shall not be convertible.

(k) The Bonds of the 6.99% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 6.99% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, then payment of interest or principal need not be made on such date, but may be

made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Sixteenth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 6.99% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 6.99% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 6.99% SERIES

The Bonds of the 6.99% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Sixteenth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 6.99% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 6.99% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 6.99% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred

upon persons other than the registered owners of the Bonds of the 6.99% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 6.99% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 6.99% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses

from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate

bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder, and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Sixteenth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Sixteenth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Sixteenth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Sixteenth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

This Sixteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIRST UNION NATIONAL BANK, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by one of its Authorized Officers, all as of the day and year first above written.

KENTUCKY-AMERICAN WATER COMPANY

By: _____
Coleman D. Bush
Vice President and Treasurer

(SEAL)

Attest:

Herbert A. Miller, Jr.
Secretary

FIRST UNION NATIONAL BANK

By: 

Its:  Vice President

(SEAL)

Attest:



RALPH E. JONES

Authorized Officer

COMMONWEALTH OF Kentucky)
) ss:
COUNTY OF FAYETTE)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this _____ day of _____, 1998, by Coleman D. Bush, Vice President and Treasurer of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

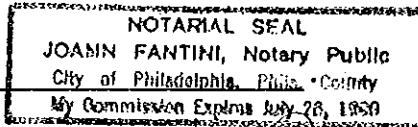
My commission expires: _____

Notary Public

COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF PHILADELPHIA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 3RD day of JUNE, 1998, by JOHN H. CLAPHAM, VICE PRESIDENT of First Union National Bank, on behalf of the corporation.

My commission expires: _____



Joann Fantini

Notary Public

* * * * *

CERTIFICATE OF RESIDENCE

First Union National Bank, mortgagee and trustee within named, hereby certifies that its precise name and address are First Union National Bank, 123 South Broad Street, Philadelphia, Pennsylvania.

FIRST UNION NATIONAL BANK

By: _____


Authorized Officer

This Sixteenth Supplemental
Indenture was prepared by:

Herbert A. Miller, Jr., Esquire
2300 Richmond Road
Lexington, Kentucky 40502

By: _____



Herbert A. Miller, Jr.

EXHIBIT A

(FORM OF BOND OF 6.99% SERIES)

THIS BOND HAS NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND LAWS.

No. PR-

KENTUCKY-AMERICAN WATER COMPANY

§

GENERAL MORTGAGE BOND, 6.99% SERIES, DUE JUNE 1, 2028

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns, on the first day of June, 2028, at the office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of

Dollars (\$ _____) in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this Bond (or, if this Bond be dated prior to December 1, 1998, from the date hereof) until the principal hereof is paid or duly provided for, at the rate of six and ninety-nine hundredths percent (6.99%) per annum, in like coin or currency, semiannually on the first day of June and the first day of December in each year, provided that the principal of and the premium, if any, and interest on this Bond may be paid by agreement of the Company with the registered owner of this Bond, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto

at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of the payment in full of the principal of this Bond, to the presentation and surrender of the Bond as provided in the Indenture.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to First Union National Bank (formerly First Fidelity Bank, National Association, formerly First Fidelity Bank, N.A., Pennsylvania, formerly Fidelity Bank, National Association, and formerly The Fidelity Bank), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by fifteen supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are, and are to be, secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Sixteenth Supplemental Indenture dated as of June 1, 1998, between the Company and the Trustee ("Sixteenth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 6.99% Series, due June 1, 2028" (hereinafter referred to as the "Bonds of the 6.99% Series").

The lien of the Indenture on the property of the Company is subject to the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 6.99% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Original Indenture or otherwise under the Indenture at the option of the Company, except as hereinafter in the following four paragraphs of this bond expressly provided. The bonds of the 6.99% Series are subject to redemption, in whole at any time or in part on any interest payment date, at the option of the Company at the redemption price equal to the principal amount of the bonds of the 6.99% Series, or portions thereof to be redeemed, together with interest accrued on such bonds to the date fixed for their

redemption plus a premium equal to the "Make-Whole Premium" (defined below) determined three (3) business days prior to the date fixed for their redemption. The Company will furnish notice to the Trustee and each holder of the bonds of the 6.99% Series (by telecopy or other same-day written communication confirmed by the recipient, on a date at least two (2) business days prior to the date fixed for redemption of the bonds of the 6.99% Series) of the premium, if any, applicable to such redemption and the calculations, in reasonable detail, used to determine the amount of any such premium.

"Make-Whole Premium" shall mean, in connection with any redemption, the excess, if any, of (i) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the date of redemption) that would have been payable in respect of such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate from the respective dates on which they would have been payable, over (ii) 100% of the principal amount of the outstanding bonds of the 6.99% Series being redeemed. If the Reinvestment Rate is equal to or higher than 6.99%, the Make-Whole Premium shall be zero.

"Reinvestment Rate" shall mean the sum of (i) 0.25% plus (ii) the yield on actively traded United States Treasury securities having a maturity (rounded to the nearest month) corresponding to the remaining term of the bonds of the 6.99% Series (a) as reported on page "USD" of the Bloomberg Financial Markets Services Screen or, if not available, (b) any other nationally recognized trading screen reporting on-line intraday trading in United States Treasury securities, in either case at 11:00 a.m. (New York time) on the fifth business day prior to the date fixed for redemption (the "Determination Date") or in the event that no such nationally recognized trading screen reporting on-line intraday trading in United States Treasury securities is available, (c) as determined by reference to such other publicly available source of similar market data (published on the date most recently preceding the Determination Date) which shall be designated by the holders of 66-2/3% in aggregate principal amount of the outstanding bonds of the 6.99% Series. If no maturity exactly corresponds to such remaining term of the bonds of the 6.99% Series, yields for the two maturities most closely corresponding to such remaining term of the bonds of the 6.99% Series shall be determined pursuant to clause (ii) of the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

The Bonds of the 6.99% Series shall be subject to mandatory

redemption at any time in the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof. The award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 6.99% Series shall be 100% of the principal amount thereof, plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

If the Bonds of the 6.99% Series, or any portion thereof, are called for redemption, and payment thereof is duly provided for as specified in the Original Indenture, interest shall cease to accrue thereon or on such portion being redeemed, as the case may be, from and after the date fixed for redemption.

In all cases of redemption, notice shall be given by registered mail to the owners thereof at least twenty-five (25) days before the date fixed for redemption, all on the conditions and in the manner provided in the Indenture.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 6.99% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Original Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent

of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium, if any, or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 6.99% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 6.99% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture

supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until First Union National Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated this _____ day of June, 1998.

KENTUCKY-AMERICAN WATER COMPANY

By: _____
Vice President and Treasurer

Attest:

Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 6.99% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Sixteenth Supplemental Indenture.

FIRST UNION NATIONAL BANK,
as Trustee

By: _____

Authorized Officer

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
6.593% Maturity - October 15, 2037

\$47,000,000

October 22, 2007

FOR VALUE RECEIVED, **Kentucky-American Water Company**, an **Kentucky** corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at 1025 Laurel Oak Road, Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of **Forty Seven Million** dollars (**\$47,000,000**), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Kentucky-American Water Company

By: 
Rochelle Kowalski
VP of Finance

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
6.25% Maturity – June 1, 2039

\$45,390,000

June 23, 2009

FOR VALUE RECEIVED, Kentucky-American Water Company, a Kentucky corporation (herein “Borrower”) hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation (“Lender”), in same day funds at its offices at 1025 Laurel Oak Rd. Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of forty-five million three hundred ninety thousand dollars (**45,390,000**), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefore shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

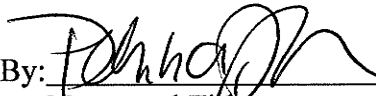
If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Kentucky-American Water Company

By: 
Name and Title: VP of Finance, Eastern Division

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
5.625% Maturity – September 1, 2039

\$26,000,000

September 10, 2009

FOR VALUE RECEIVED, Kentucky-American Water Company, a Kentucky corporation (herein “Borrower”) hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation (“Lender”), in same day funds at its offices at 1025 Laurel Oak Rd. Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of Twenty-six million dollars (**\$26,000,000**), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefore shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.


If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Kentucky-American Water Company

By:  _____
Name and Title

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
5.375% Maturity – June 1, 2040

\$26,000,000

June 24, 2010

FOR VALUE RECEIVED, Kentucky-American Water Company, a Kentucky corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at 1025 Laurel Oak Rd. Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of Twenty-six million dollars (**\$26,000,000**), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefore shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.


If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Kentucky-American Water Company

By:  _____
Name and Title: VP of Finance, Eastern Division

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
5.05% Maturity - October 15, 2037

\$20,000,000

November 21, 2011

FOR VALUE RECEIVED, Kentucky-American Water Company, a Kentucky corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at 1025 Laurel Oak Rd. Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of Twenty Million dollars (**\$20,000,000**), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum, in accordance with the terms attached, a rate equal to or less than equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefore shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

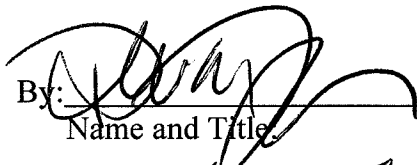
If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Kentucky-American Water Company

By:  _____
Name and Title
VP of Finance, ED

PROMISSORY NOTE
FOR LONG-TERM BORROWINGS
4.00% Maturity - October 15, 2037

\$7,859,000

May 15, 2013

FOR VALUE RECEIVED, **Kentucky-American Water Company**, an **Kentucky** corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at 1025 Laurel Oak Road, Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of **Seven Million Eight Hundred Fifty Nine Thousand dollars (\$7,859,000)**, together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.


If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Kentucky-American Water Company

By: 
Mark Shaeffer
Director of FP&A, Central Division

PROMISSORY NOTE
FOR SHORT-TERM LOANS

\$40,000,000

January 1, 2015

FOR VALUE RECEIVED, Kentucky-American Water Company, a Kentucky corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of Forty Million dollars (\$40,000,000) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

Kentucky-American Water Company

By: Mark Shaeffer
Mark Shaeffer
Director, Financial Analysis & Decision Support
Central Division

**KENTUCKY-AMERICAN WATER COMPANY'S
FEDERAL AND STATE INCOME TAX RETURNS ARE
SUBJECT TO A PETITION FOR CONFIDENTIAL TREATMENT**

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Kentucky-American Water Company ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
3 Non-Employee Board Members	Director Stipend	Each - \$2,000 annually
3 Non-Employee Board Members	Board of Directors Meeting Attendance	Each - \$2,500 per meeting

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Cheryl D. Norton
(Print Name)


(Signed)

President
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Fayette

Subscribed and sworn to before me by Cheryl D. Norton
(Name)

this 12th day of November, 20 14.

Reggie A. Stone
NOTARY PUBLIC
State-at-Large

P.S.C.Ky.No.6

Cover Sheet and Original Sheets:

Nos. 5, 7, 8, 14 through 19, 20.1, 21, 24.1, 26, 29 through 49, 49.6, 49.7, 49.8, 58, 58.6, 59, 63, 64, and Appendix A;

First Revised Sheet Nos. 2, 4, 6, 9, 10, 11, 12, 13, 24, 25, 28, 49.4, 49.5, 51, 53.1, 54, 58.4, 60, 61, 62, 65;

Second Revised Sheet Nos. 1, 22, 23, 49.1, 49.2, 49.3, 50.3, 57, 58.1, 58.2, 58.3, 58.5;

Third Revised Sheet No. 27, 50.1, 50.2, 55, 56;

Fourth Revised Sheet Nos. 3.1;

Fifth Revised Sheet No. 20, 52.1;

Seventh Revised Sheet Nos. 28.1, 28.2;

Thirteenth Revised Sheet No. 55.1;

Fourteenth Revised Sheet No. 3;

Twenty-Fifth Revised Sheet No. 53;

Twenty-Eight Revised Sheet No. 52;

Thirty-Second Revised Sheet No. 50

KENTUCKY-AMERICAN WATER COMPANY

2300 RICHMOND ROAD, LEXINGTON, KENTUCKY

<http://www.amwater.com/kyaw/>

FOR WATER AND WASTEWATER SERVICE IN KENTUCKY COUNTIES OF

BOURBON, CLARK, FAYETTE, GALLATIN, GRANT, HARRISON,

JESSAMINE, OWEN, SCOTT AND WOODFORD

FILED WITH THE PUBLIC SERVICE COMMISSION OF KENTUCKY

ISSUED: November 14, 2014

EFFECTIVE: December 14, 2014

ISSUED BY: /s/Cheryl D. Norton
Cheryl D. Norton
President
2300 Richmond Road, Lexington, KY 40502

<u>Rule Number</u>	<u>Index (Cont'd.)</u> <u>Title</u>	<u>Sheet No.</u>
34.	Rules and Regulations for furnishing Sewer Service at Rockwell Village Mobile Homepark	49.1
	Rules and Regulations for furnishing Sewer Service at Rockwell Village Mobile Homepark (Continued)	49.2
(T)	Reserve for future use	49.3
	Rules and Regulations for furnishing Sewer Service at Rockwell Village Mobile Homepark - Rate per Unit	49.4
	Owenton Sewer Service	49.5
	Owenton Sewer Service – Connection Charge	49.6
	Owenton Delivered Waste Service	49.7
	Millersburg Sewer Service	49.8
Service Classification No. 1 -	Customers in the entire service territory Of Kentucky American Water Company	50
	Reserve for future use	50.1
	Reserve for future use	50.2
	Reserve for future use	50.3
	Classification of Service	51
Service Classification No. 3 -	Private Fire Service	52
	Tapping Fees	52.1
Service Classification No. 4 -	Public and Private Fire Hydrants	53
	Public and Private Fire Hydrants (con't)	53.1
Service Classification No. 5 -	Building Construction Purpose	54
 (T) Signifies change in text		

ISSUED: November 14, 2014
EFFECTIVE: December 14, 2014

ISSUED BY: /s/Cheryl D. Norton
Cheryl D. Norton
President
2300 Richmond Road, Lexington, KY 40502

(T) 34. RULES AND REGULATIONS SPECIFIC FOR FURNISHING SEWER SERVICE

(D)

This schedule of rules and regulations governs the furnishing of sewer service by

(T) Kentucky-American Water Company, hereinafter referred to as KAW, and applies to all

(T) sewer service received from KAW. All service for both water and sewer are subject to

(T) KAW's general rules and regulations as approved by the PSC. All rules and regulations

are to be in effect so long as they are not in conflict with Public Service Commission rules

(T) and regulations. KAW is further subject to all rules and regulations of the Public Service

Commission even though not contained herein.

(a) REVISIONS. These rules and regulations may be revised, amended, supplemented or otherwise changed from time to time subject to approval of the Public Service Commission, and shall have the same force as the present regulations.

(b) AVAILABILITY. Sewer service is available to any consumer provided that the

(T) connection of any additional consumer does not exceed the capacity of the plant. Pre-

(T) treatment may be required for commercial or industrial customers and will be

(T) evaluated on an individual basis upon request for service and at any time that

(T) regulations may change requiring further treatment. All effort will be made to provide

(T) sufficient advance notice for pre-treatment changes.

(c) NOTICE OR TROUBLE. The consumer shall give immediate notice to KAW of any irregularities or unsatisfactory service and of any defects known to the consumer.

(d) LINE RELOCATIONS. When necessary to move or relocate facilities, the cost will be paid by the party or parties requesting such relocation.

(e) BILLING, COLLECTION AND PENALTY. Bills for sewer service furnished by

(T) KAW will be mailed each month and will be due and payable within 10 days after the
(T) billing date.

(T) To signify a change in text.

(D) To signify a deletion

ISSUED: November 14, 2014

EFFECTIVE: December 14, 2014

ISSUED BY: /s/ Cheryl D. Norton

Cheryl D. Norton

President

2300 Richmond Road, Lexington, KY 40502

- (T) 34. RULES AND REGULATIONS FOR FURNISHING SEWER SERVICE (continued)
(D)
- (T) (f) NEGLIGENT BREAKAGE OF LINE. If any customer, his employee, or agent, or any contractor at the direction of a customer, breaks a sewer collection line owned and maintained by KAW, the customer shall pay the actual cost of repairing or replacing the line and restoring it to its original condition.
- (T) (g) RETURNED CHECKS. Any check or other bank draft returned to KAW for insufficient funds, no funds, stop payment order, or any other reason, will cause the customer to be charged a fee of \$12.00 for each such check returned.
- (T) (h) CONTINUITY OF SERVICE. KAW will make all reasonable efforts to prevent interruption of service and when such interruptions occur shall endeavor to reestablish service with the shortest possible delay consistent with the safety of its customers and general public. Whenever KAW finds it necessary to schedule an interruption of its service it will notify all customers to be affected of the times and anticipated duration of the interruption.
- (T) (i) CUSTOMER SERVICE LINE. The customer shall install and maintain his service lateral from main collection line to premises served. It shall be constructed of materials approved by the sewer utility and installed per utility specification. Customer service lines must comply with Division of Water requirements and regulations, and Kentucky Plumbing Code requirements for separation of potable water and wastewater lines.
- (T) (j) MAIN COLLECTION LINES. KAW shall maintain main sewer lines lying under public roads and streets and lying within described easements.
- (T) (k) LIMITATION OF SERVICE. KAW will not accept for treatment or disposal any material except sewage as defined by KAR 5:071, Section 2 (7).
- (T) (l) RATES. A schedule of approved rates, rules and regulations will be available to any customer, or prospective customer of KAW upon request.

(T) To signify a change in text.
(D) To signify deletion.

ISSUED: November 14, 2014

EFFECTIVE: December 14, 2014

ISSUED BY: /s/ Cheryl D. Norton
Cheryl D. Norton
President
2300 Richmond Road, Lexington, KY 40502

(D)

(N) Page intentionally left blank for future use.

(D)

(D)

(D) To signify deletion.

(N) To signify a new rate or requirement.

ISSUED: **November 14, 2014**

EFFECTIVE: **December 14, 2014**

ISSUED BY: /s/ Cheryl D. Norton
Cheryl D. Norton
President
2300 Richmond Road, Lexington, KY 40502

(D)

(D)

CLASSIFICATION OF SERVICE
SEWER SERVICE

(N)

(N) **Applicable**

(N) Applicable to all customers in the Rockwell Village Mobile Home Subdivision.

(N) **Availability of Service**

(N) Available for Residential, Commercial, Industrial, Municipal and All Other
(N) Public Authority Service.

(N) **Monthly Rates**

RATE

(D)

SEWER SERVICE

(T),(I)

Up to 12,000 gallons of water

\$22.83

(D)

(D)

(D) To signify a deletion.

(N) To signify a new rate or requirement.

(I) To signify increase.

(T) To signify a text change.

ISSUED: November 14, 2014

EFFECTIVE: December 14, 2014

ISSUED BY: /s/ Cheryl D. Norton
Cheryl D. Norton
President
2300 Richmond Road
Lexington, KY 40502

CLASSIFICATION OF SERVICE
SEWER SERVICE

Applicable

Applicable to all customers in the City of Owenton.

Availability of Service

Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service.

(T) **Monthly Rates**

The following shall be the rates for sewer.

Within the City Limits

	Per 1,000 gallons		Per CCF		Per 100 gallons
(I) First 2,000 gal	\$18.997 minimum bill	(D)	First 2.67 CCF	\$17.27 minimum bill	(N) First 20 100 gal
(I) Next 1,000 gal	8.62 per 1,000 gal	(D)	Next 1.33 CCF	5.88 per CCF	(N) Next 10 100 gal
(I) Next 2,000 gal	6.79 per 1,000 gal	(D)	Next 2.67 CCF	4.6275 per CCF	(N) Next 20 100 gal
(I) Next 5,000 gal	6.15 per 1,000 gal	(D)	Next 6.67 CCF	4.1925 per CCF	(N) Next 50 100 gal
(I) Next 10,000 gal	5.50 per 1,000 gal	(D)	Next 13.33 CCF	3.75 per CCF	(N) Next 100 100 gal
(I) Next 20,000 gal	4.85 per 1,000 gal	(D)	Next 26.67 CCF	3.3075 per CCF	(N) Next 200 100 gal
(I) All over 40,000 gal	4.62 per 1,000 gal	(D)	All over 53.34 CCF	3.15 per CCF	(N) All over 400 100 gal

Outside the City Limits

(I) First 2,000 gal	\$24.18 minimum bill	(D)	First 2.67 CCF	\$24.18 minimum bill	(N) First 20 100 gal
(I) Next 1,000 gal	10.98 per 1,000 gal	(D)	Next 1.33 CCF	8.235 per CCF	(N) Next 10 100 gal
(I) Next 2,000 gal	8.65 per 1,000 gal	(D)	Next 2.67 CCF	6.4875 per CCF	(N) Next 20 100 gal
(I) Next 5,000 gal	7.82 per 1,000 gal	(D)	Next 6.67 CCF	5.865 per CCF	(N) Next 50 100 gal
(I) Next 10,000 gal	6.99 per 1,000 gal	(D)	Next 13.33 CCF	5.2425 per CCF	(N) Next 100 100 gal
(I) Next 20,000 gal	6.17 per 1,000 gal	(D)	Next 26.67 CCF	4.6275 per CCF	(N) Next 200 100 gal
(I) All over 40,000 gal	5.88 per 1,000 gal	(D)	All over 53.34 CCF	4.41 per CCF	(N) All over 400 100 gallons

- (T) To signify change in text.
- (I) To signify increase.
- (D) To signify deletion.
- (N) To signify new rate or requirement.

ISSUED: November 14, 2014
EFFECTIVE: December 14, 2014

ISSUED BY: /s/Cheryl D. Norton
 Cheryl D. Norton
 President
 2300 Richmond Road
 Lexington, KY 40502

P.S.C.Ky.No.6

Cover Sheet and Original Sheets:

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Fifth Revised Sheet No. 20, 52.1;

Seventh Revised Sheet Nos. 28.1, 28.2;

Thirteenth Revised Sheet No. 55.1;

Fourteenth Revised Sheet No. 3;

Twenty-Fifth Revised Sheet No. 53;

Twenty-Eight Revised Sheet No. 52;

Thirty-Second Revised Sheet No. 50

KENTUCKY-AMERICAN WATER COMPANY

2300 RICHMOND ROAD, LEXINGTON, KENTUCKY

<http://www.amwater.com/kyaw/>

FOR WATER AND WASTEWATER SERVICE IN KENTUCKY COUNTIES OF

BOURBON, CLARK, FAYETTE, GALLATIN, GRANT, HARRISON,

JESSAMINE, OWEN, SCOTT AND WOODFORD

FILED WITH THE PUBLIC SERVICE COMMISSION OF KENTUCKY

ISSUED: November 14, 2014

EFFECTIVE: December 14, 2015

ISSUED BY: /s/Cheryl D. Norton
Cheryl D. Norton
President
2300 Richmond Road, Lexington, KY 40502

CLASSIFICATION OF SERVICE
SEWER SERVICE

Applicable

Applicable to all customers in the Rockwell Village Mobile Home Subdivision.

Availability of Service

Available for Residential, Commercial, Industrial, Municipal and All Other Public Authority Service.

Monthly Rates

		RATE
	SEWER SERVICE	
(I)	Up to 12,000 gallons of water	\$25.11

(I) To signify increase.

ISSUED: November 14, 2014

EFFECTIVE: December 14, 2015

ISSUED BY: /s/ Cheryl D. Norton
Cheryl D. Norton
President
2300 Richmond Road
Lexington, KY 40502

CLASSIFICATION OF SERVICE
SEWER SERVICE

Applicable

Applicable to all customers in the City of Owenton.

Availability of Service

Available for Residential, Commercial, Industrial, Sales for Resale, Municipal and All Other Public Authority metered Service.

Monthly Rates

The following shall be the rates for sewer.

Within the City Limits

		Per 1,000 gallons			Per 100 gallons
(I)	First 2,000 gal	\$20.897 minimum bill	(I)	First 20 100 gal	\$20.897 minimum bill
(I)	Next 1,000 gal	9.48 per 1,000 gal	(I)	Next 10 100 gal	0.948 per 100 gal
(I)	Next 2,000 gal	7.47 per 1,000 gal	(I)	Next 20 100 gal	0.747 per 100 gal
(I)	Next 5,000 gal	6.77 per 1,000 gal	(I)	Next 50 100 gal	0.677 per 100 gal
(I)	Next 10,000 gal	6.05 per 1,000 gal	(I)	Next 100 100 gal	0.605 per 100 gal
(I)	Next 20,000 gal	5.34 per 1,000 gal	(I)	Next 200 100 gal	0.534 per 100 gal
(I)	All over 40,000 gal	5.08 per 1,000 gal	(I)	All over 400 100 gal	0.508 per 100 gal

Outside the City Limits

First 2,000 gal	\$24.18 minimum bill	First 20 100 gal	\$18.997 minimum bill
Next 1,000 gal	10.98 per 1,000 gal	Next 10 100 gal	0.862 per 100 gal
Next 2,000 gal	8.65 per 1,000 gal	Next 20 100 gal	0.679 per 100 gal
Next 5,000 gal	7.82 per 1,000 gal	Next 50 100 gal	0.615 per 100 gal
Next 10,000 gal	6.99 per 1,000 gal	Next 100 100 gal	0.550 per 100 gal
Next 20,000 gal	6.17 per 1,000 gal	Next 200 100 gal	0.485 per 100 gal
All over 40,000 gal	5.88 per 1,000 gal	All over 400 100 gal	0.462 per 100 gal

(I) To signify increase.

ISSUED: November 14, 2014
EFFECTIVE: December 14, 2015

ISSUED BY: /s/Cheryl D. Norton
 Cheryl D. Norton
 President
 2300 Richmond Road
 Lexington, KY 40502