

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2019-00083
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Witness: **Elaine K. Chambers**

1. Refer to Kentucky-American's Application (Application), paragraph 10, which states, "The proceeds from this financing will be used to refinance short-term debt necessary to (i) fund construction expenditures, and (ii) meet other internal cash requirements."
 - a. List and describe each construction expenditure for which Kentucky-American intends to use proceeds from the financing. This description should include the project name and the project cost.
 - b. Identify and describe the "other internal cash requirements" for which the proceeds will be used.

Response:

- a. Kentucky-American Water ("KAWC") utilizes short-term debt, in part, to temporarily fund construction expenditures. As the short-term debt balance grows through the normal course of business operations, it is ultimately refinanced with proceeds from issuances of either long-term debt or common equity, or a combination of each, with the objective of maintaining the Company's target capitalization ratios. There are not specific construction expenditures tied to specific proceeds from KAWC financings. The appropriate level of short-term debt may fluctuate based on a number of factors, including interest rates, anticipated expenditures, and overall market conditions. The inability to tie specific funding sources to specific assets notwithstanding, KAWC has provided a list of the 2019-2023 construction expenditures by year and by project, with a total project cost that will be financed as described. Please refer to the attachment.
- b. The only other cash requirement funded with proceeds from long-term debt financings is the issuance costs associated with the transaction.

STRATEGIC CAPITAL EXPENDITURE PLAN								
PROGRAM								
Business Unit	Kentucky							
Revision Date	October 15, 2018							
Description	KY BP 2019-2023 OVERALL SCEP							
Business Unit	Project ID	Project Title	Total 2019	Total 2020	Total 2021	Total 2022	Total 2023	
RECURRING PROJECTS								
Kentucky	DV	Projects Funded by Others	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	
Kentucky	A	Mains - New	566,500.00	545,000.00	572,500.00	575,000.00	600,000.00	
Kentucky	B	Mains - Replaced / Restored	4,500,000.00	6,000,000.00	6,000,000.00	7,699,950.00	7,699,950.00	
Kentucky	C	Mains - Unscheduled	820,000.00	900,000.00	900,000.00	900,000.00	900,000.00	
Kentucky	D	Mains - Relocated	987,550.00	400,050.00	387,500.00	387,500.00	400,000.00	
Kentucky	E	Hydrants, Valves, and Manholes - New	217,000.00	228,550.00	244,525.00	260,300.00	260,300.00	
Kentucky	F	Hydrants, Valves, and Manholes - Replaced	480,960.00	498,960.00	501,960.00	504,960.00	507,960.00	
Kentucky	G	Services and Laterals - New	1,079,105.00	1,079,105.00	1,079,105.00	1,079,105.00	1,079,105.00	
Kentucky	H	Services and Laterals - Replaced	532,500.00	532,500.00	532,500.00	532,500.00	532,500.00	
Kentucky	I	Meters - New	800,000.00	800,000.00	850,000.00	850,000.00	850,000.00	
Kentucky	J	Meters - Replaced	1,516,039.00	1,142,700.00	1,220,475.00	1,010,150.00	1,106,500.00	
Kentucky	K	ITS Equipment and Systems	246,769.00	255,552.00	400,640.00	282,479.00	255,371.00	
Kentucky	L	SCADA Equipment and Systems	233,000.00	183,000.00	320,000.00	360,000.00	450,000.00	
Kentucky	M	Security Equipment and Systems	458,000.00	55,000.00	167,000.00	125,000.00	125,000.00	
Kentucky	N	Offices and Operations Centers	150,000.00	150,000.00	150,000.00	150,000.00	150,000.00	
Kentucky	O	Vehicles	680,000.00	650,000.00	660,000.00	660,000.00	660,000.00	
Kentucky	P	Tools and Equipment	830,100.00	403,000.00	308,000.00	214,500.00	48,500.00	
Kentucky	Q	Process Plant Facilities and Equipment	1,925,000.00	2,100,000.00	1,750,000.00	1,750,000.00	1,750,000.00	
Kentucky	S	Engineering Studies	75,000.00	75,000.00	75,000.00	75,000.00	75,000.00	
		Total Recurring Projects	16,097,523.00	15,998,417.00	16,119,205.00	17,416,444.00	17,450,186.00	
		Total Recurring Projects with Projects Funded by Others	18,597,523.00	18,498,417.00	18,619,205.00	19,916,444.00	19,950,186.00	
CENTRALLY SPONSORED PROJECTS								
Kentucky	K3	ITS Equipment and Systems - Centrally Sponsored	Various	3,390,750.00	2,959,200.00	2,784,525.00	2,784,525.00	2,784,525.00
		Total Centrally Sponsored Projects		3,390,750.00	2,959,200.00	2,784,525.00	2,784,525.00	2,784,525.00
INVESTMENT PROJECTS								
			In Service Date					
Kentucky	I12-020037	KRS1 Chemical Storage & Feed Improvements	11/30/2020	1,227,706.00	5,984,956.00	-	-	-
Kentucky	I12-020055	New Circle Rd Phase 2	8/30/2019	833,325.00	-	-	-	-
Kentucky	I12-020059	KRS2 Transfer Switch	10/30/2021	334,257.00	600,000.00	-	-	-
Kentucky	I12-020067	RRS Chemical Facility Upgrade/ Chlorine	7/31/2019	9,761,231.00	-	-	-	-
Kentucky	I12-020071	KRS1 Valve House Rehabilitation (Phase 5) - Reeves Drives	11/30/2021	1,500,000.00	-	-	-	-
Kentucky	I12-020074	Athens Boonesboro Main Ext - Phase II	6/1/2019	187,156.00	-	-	-	-
Kentucky	I12-020076	KRS1 - Replace Incline Car	6/30/2019	1,021,255.00	-	-	-	-
Kentucky	I12-020079	Jacobson Pump Station Improvements	6/30/2019	1,805,169.00	-	-	-	-
Kentucky	I12-020080	KRS1 Pump 10 and 11 Replacements	9/30/2021	-	2,250,270.00	-	-	-
Kentucky	I12-020081	KRS1 Pump 14 Replacement	6/30/2022	-	-	-	1,500,000.00	-
Kentucky	I12-020082	KRS1 UV Facility	12/31/2023	-	-	-	4,500,000.00	7,000,001.00
Kentucky	I12-020083	RRS UV Facility	12/30/2024	-	-	-	-	500,000.00
Kentucky	I12-020085	PAC Feed System and Pretreatment Basin	5/31/2020	-	-	-	-	-
Kentucky	I12-020089	Millersburg WQ & Chemical Feed Improvements	6/20/2021	-	850,002.00	-	-	-
Kentucky	I12-020093	RRS Field Ops Paving Improvements	7/30/2023	-	-	-	750,000.00	750,001.00
Kentucky	I12-020094	Cox Street Booster	10/30/2020	1,000,000.00	-	-	-	-
Kentucky	I12-300010	KRS2 UV Installation	11/30/2023	-	-	-	-	1,000,000.00
Kentucky	I12-020098	KRS1 Control room/Clearwell/Pumps	12/31/2023	-	-	-	3,500,000.00	4,000,001.00
Kentucky	I12-020095	Mercer Road Booster Station	5/30/2021	333,188.00	666,812.00	-	-	-
Kentucky	I12-020096	Mt Horeb Booster Station	5/30/2023	-	-	-	-	750,000.00
Kentucky	I12-020097	Hall Booster Station	5/30/2022	-	-	-	750,000.00	-
Kentucky	I12-020099	KRS1 Pump 13 Replacement	6/30/2019	200,000.00	-	-	-	-
Kentucky	I12-030001	ERWA Main Interconnection (Post Acquisition)	6/30/2023	355,490.00	250,000.00	500,000.00	750,001.00	1,000,000.00
Kentucky	I12-300008	Owenton Distribution Garage	11/30/2020	573,170.00	236,344.00	-	-	-
		Total Investment Projects		\$ 19,131,947.00	\$ 7,738,112.00	\$ 3,600,272.00	\$ 11,750,001.00	\$ 15,000,003.00
		Total Investments and Centrally Sponsored Projects		\$ 22,522,697.00	\$ 10,697,312.00	\$ 6,384,797.00	\$ 14,534,526.00	\$ 17,784,528.00
		Services Contributions		\$ (2,000,000.00)	\$ (2,000,000.00)	\$ (2,000,000.00)	\$ (2,000,000.00)	\$ (2,000,000.00)
		Other Contributions		\$ (350,000.00)	\$ -	\$ -	\$ -	\$ -
		Developer Contributions		\$ (1,425,000.00)	\$ (1,425,000.00)	\$ (1,500,000.00)	\$ (1,500,000.00)	\$ (1,500,000.00)
		Advances		\$ (2,000,000.00)	\$ (2,000,000.00)	\$ (2,000,000.00)	\$ (2,000,000.00)	\$ (2,000,000.00)
		Total Refunds		\$ 1,100,000.00	\$ 1,100,000.00	\$ 1,100,000.00	\$ 1,100,000.00	\$ 1,100,000.00
		Total Contributions		\$ (4,675,000.00)	\$ (4,325,000.00)	\$ (4,400,000.00)	\$ (4,400,000.00)	\$ (4,400,000.00)
		Gross minus Centrally Sponsored ITS		\$ 37,729,470.00	\$ 26,236,529.00	\$ 22,219,477.00	\$ 31,666,445.00	\$ 34,950,189.00
				\$ (4,675,000.00)	\$ (4,325,000.00)	\$ (4,400,000.00)	\$ (4,400,000.00)	\$ (4,400,000.00)
		Net minus Centrally Sponsored ITS		\$ 33,054,470.00	\$ 21,911,529.00	\$ 17,819,477.00	\$ 27,266,445.00	\$ 30,550,189.00
		Gross plus Centrally Sponsored ITS		\$ 41,120,220.00	\$ 29,195,729.00	\$ 25,004,002.00	\$ 34,450,970.00	\$ 37,734,714.00
				\$ (4,675,000.00)	\$ (4,325,000.00)	\$ (4,400,000.00)	\$ (4,400,000.00)	\$ (4,400,000.00)
		Net plus Centrally Sponsored ITS		\$ 36,445,220.00	\$ 24,870,729.00	\$ 20,604,002.00	\$ 30,050,970.00	\$ 33,334,714.00

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2019-00083
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Witness: **Elaine K. Chambers**

2. Refer to the Application, paragraph 11, which states that Kentucky-American expects to receive an infusion of \$10,000,000 from American Water Works Company, Inc. (American Water), between 2019 and 2021 in the form of paid-in-capital equity. Explain in detail how Kentucky-American will use the American Water capital infusion.

Response:

The purpose of this equity infusion is to pay down short-term debt that Kentucky-American Water (“KAWC”) will employ to temporarily fund additions to utility property, or capital expenditures. As noted in the response to Item No. 1, KAWC temporarily funds construction expenditures with short-term debt. Consequently, the balance of short-term debt will grow over time. Thus, to manage its level of short-term debt and to help match the tenor of its funding sources with the life span of its assets, the Company will issue common equity (as paid in capital) and long-term debt to replace short-term debt, doing so with the objective of maintaining its target capitalization ratios.

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2019-00083
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Witness: **Elaine K. Chambers**

3. Provide all studies, analyses, reports, and reviews that compare Kentucky- American's cost for the proposed financing as a participant in the borrowing program with American Water Capital Corp. to Kentucky-American borrowing directly from third parties. If no studies have been conducted, explain why Kentucky-American's continued participation is more cost-effective than obtaining the proposed financing from a third party.

Response:

No additional studies, analyses, reports or reviews have been formally conducted for the proposed financing comparing the cost to Kentucky-American Water (“KAWC”) as a participant in the American Water Capital Corp. (“AWCC”) borrowing program with KAWC’s cost to borrow directly from third parties.

KAWC typically obtains long-term debt through intercompany loans from AWCC, American Water’s financing entity for its regulated subsidiaries. KAWC does not have its own stand-alone credit ratings and initiating these would result in significant costs; AWCC can borrow in the capital markets at a more efficient and lower cost due to the economies of scale of AWCC. Generally commercial paper is the lowest cost short-term financing available to corporations. KAWC is not a large enough entity to establish its own commercial paper program to efficiently fund itself in the short-term and would likely incur higher interest costs if KAWC could not receive funding from AWCC. AWCC will typically issue short-term commercial paper and senior unsecured debt and lend proceeds down, via intercompany loan, to KAWC at the exact terms and conditions that AWCC has with external investors. KAWC benefits from lower interest rates from this holding company structure. Fixed debt issuance costs are lower if KAWC borrows from AWCC as these costs are spread across all participating regulated subsidiaries of American Water. AWCC has a stronger corporate credit rating (currently Baa1 (stable outlook) and A (stable outlook) from Moody’s and Standard & Poor’s, respectively) than KAWC could likely obtain on its own.

As stated, AWCC is able to spread the fixed portion of the total issuance costs on a pro-rata basis across all participating subsidiaries, in contrast to any one subsidiary incurring all of the costs on its own. Nevertheless, the Financial Services Agreement between KAW and AWCC (please see Exhibit 1 to KAWC’s March 8, 2019 Application in this matter) allows KAWC the discretion to issue debt directly to a third-party lender. KAWC would issue third-party debt if it were able to secure the financing at a lower all-in cost than it would incur by issuing debt through AWCC.

If KAWC were to attempt to issue public bonds on its own, it would first have to obtain two independent credit ratings at a cost of approximately \$500,000 each. In addition, KAWC would have to continue to prepare audited financial statements at a cost of approximately \$100,000/year as a condition of issuing public bonds. KAWC would also incur additional professional and legal fees associated with any issuance. Consequently, just to seek the opportunity to issue debt directly to a third-party lender KAWC might incur over \$1 million of additional expenses.

Finally, in the past, KAWC has verified with each debt issuance that AWCC has received reasonable rates that are equal to or slightly better than what is available for taxable utility bonds with the same credit rating. Please refer to the attached which includes two reports that were filed in Case No. 2015-00400.



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November 22, 2016

HAND DELIVERED

Talina R. Matthews
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

RECEIVED

NOV 22 2016

PUBLIC SERVICE
COMMISSION

Re: *Kentucky American Water, Case No. 2015-00400*

Dear Ms. Matthews:

Enclosed please find an original and six copies of Kentucky American Water's Ordering Paragraph 4 Report in the above-referenced matter.

Very truly yours,

Stoll Keenon Ogden PLLC

A handwritten signature in blue ink that reads "Lindsey W. Ingram III".

Lindsey W. Ingram III

Enclosure

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:)
)
APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR ISSUANCE OF)
INDEBTEDNESS AND CONTINUED)
PARTICIPATION WITH AMERICAN WATER)
CAPITAL CORP.)

CASE NO. 2015-00400

RECEIVED

NOV 22 2016

PUBLIC SERVICE
COMMISSION

ORDERING PARAGRAPH 4 REPORT

In accordance with Ordering Paragraph 4 of the Commission's January 19, 2016 Order in this matter, this is to report to the Commission that Kentucky American Water ("KAW") issued debt in the amount of \$5,000,000 on November 14, 2016 in accordance with the Commission's Order. The debt was issued pursuant to KAW's participation in the American Water Capital Corporation ("AWCC") borrowing program. The interest rate for the issuance is 4.00% and it matures on December 1, 2046.

The attached documentation shows that the rate of 4.00% was the most reasonable at the time of issuance. It demonstrates the advantages and reasonableness of KAW's participation in the AWCC borrowing program which ensures that KAW receives the lowest available rate for its borrowings. It also shows U.S. Treasury rates for various borrowing terms including a 30-year term. Finally, it also includes information regarding recent utility issuances. In sum, the attached shows the rate of 4.00% to be the most reasonable under the circumstances that existed at the time of issuance.

Date: November 22, 2016

Respectfully submitted,

STOLL KEENON OGDEN PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1 801
Telephone: (859) 231-3000

By:



Lindsey W. Ingram III
L.Ingram@skofirm.com

Attorneys for Kentucky-American Water Company



AMERICAN WATER

Charles Witherspoon
Assistant Treasurer
131 Woodcrest Rd
Cherry Hill, NJ 08003
(856) 310.5546
www.amwater.com

To: Kentucky American Water (KAW)
Date: November 17, 2016
RE: KAW Debt Financing Interest Rate

KAW is currently not rated by the credit rating agencies but if it were, it is likely that KAW would be rated lower than American Water Capital Corp (AWCC)'s A3 (Stable) and A (Stable) from Moody's and Standard and Poor's, respectively.

As shown in the credit metrics below, American Water Works Company (AWK) has stronger coverage ratios than that of KAW with ratios such as EBITDA/Interest at 4.92x compared to KAW's 4.25x. In addition, AWCC enjoys the benefit of size (economy of scale), diversification, and greater access to a broader base of investors through larger capital markets' offerings.

	As of 12/31/2015 (1)	
	American Water Works Company, Inc.	Kentucky-American Water Company
EBITDA / Interest Expense	4.92x	4.25x
Total Debt/EBITDA	4.33x	4.39x
Total Debt / Total Capitalization	56.5%	56.7%
Cash Flow from Operations/Interest Expense	3.83x	3.01x
Cash Flow from Operations/Debt	18.0%	16.1%

Notes: (1) Source from Audited Annual Reports.

It should also be noted that as a result of aggregating the financing needs of all the operating subsidiaries, AWCC is able to issue larger amounts and obtain lower underwriting fee as a percentage of total debt issuance. Furthermore, the fixed portion of the issuance costs may be spread over a number of operating subsidiaries which otherwise would have been borne in its entirety by one entity.

Therefore, AWCC is able to issue debt more cost efficiently at a lower all-in-rate than otherwise feasible for operating subsidiaries on a stand-alone basis, including KAW. AWCC then loans the proceeds to the operating subsidiaries as needed at the same or better terms (including maturity and interest rates) than those obtained by AWCC.

Respectfully,

Charles Witherspoon
Assistant Treasurer



Term Sheet

Lender:	American Water Capital Corp.
Lender's Credit Rating (Moody's / S&P)	A3 (stable outlook) / A (stable outlook)
Borrower:	Kentucky American Water
Borrower's Credit Rating	Not Rated
Amount:	\$5,000,000
Tenor:	30 Years due December 1, 2046
Tax Type:	Taxable
Issue Date:	November 14, 2016
Settlement Date:	November 17, 2016
Maturity Date:	December 1, 2046
Benchmark Treasury:	UST 2.25% due August 15, 2046
Benchmark Treasury Yield:	2.998%
Spread to Benchmark Treasury:	+105bps
Yield to Maturity:	4.048%
Coupon:	4.00%
Price	99.168%
Redemption Provisions:	Adjusted Treasury Rate +20bps for the 2046 Notes
CUSIP / ISIN:	03040WAP0 / US03040WAP05
Book Runners:	BofA Merrill Lynch, Mizuho Securities, RBC Capital Markets, TD Securities, Regions Securities LLC
Co-Managers:	BB&T Capital Markets, Academy Securities, Blaylock Beal Van, LLC, Loop Capital Markets, Multi-Bank Securities
Trustee for Lender	Wells Fargo Bank
Use of Proceeds	To reduce short-term debt and fund capital expenditures

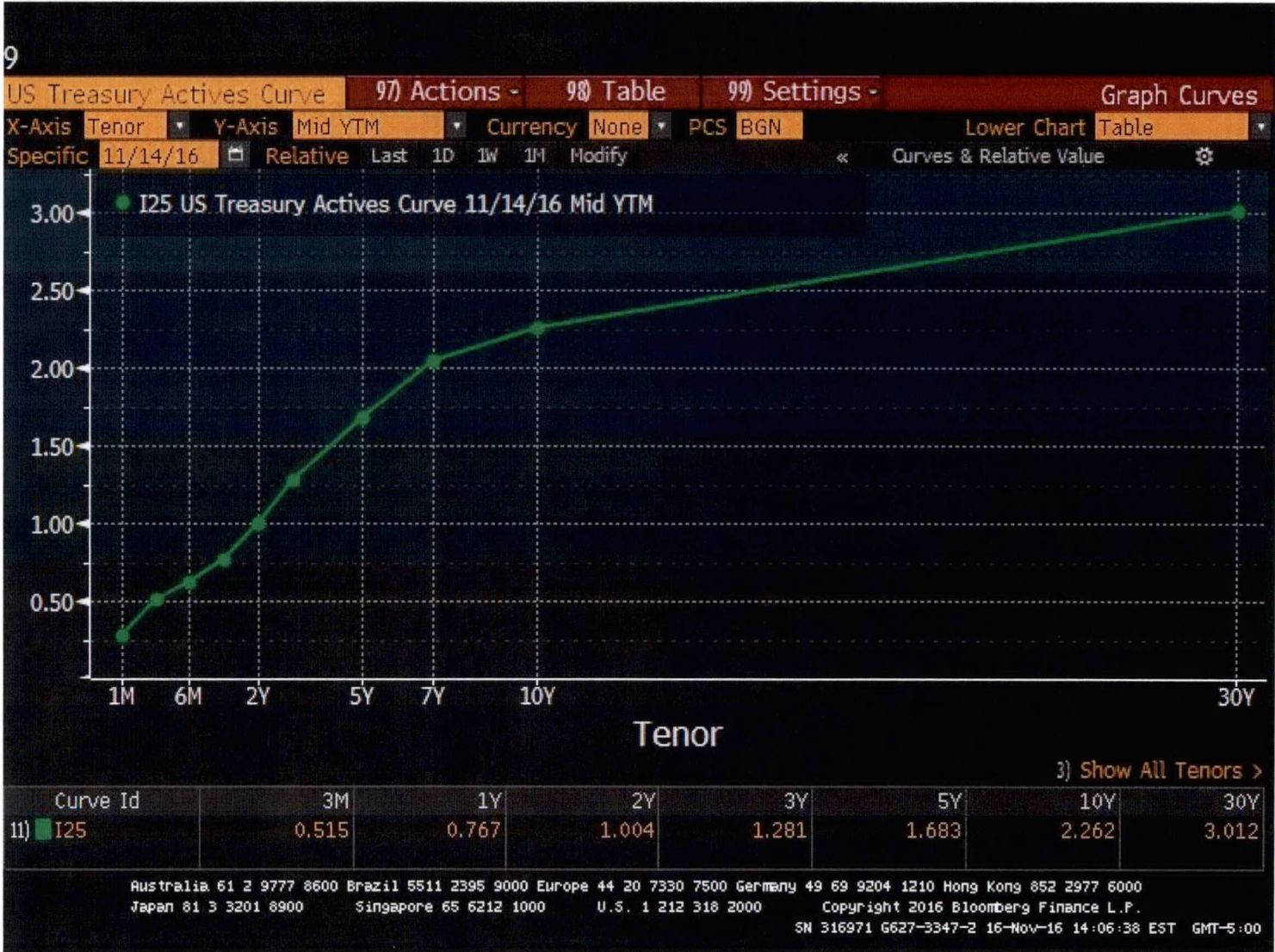


Comparable Transactions: Recent Utility New Issuances

Issue Date	Issuer	Ratings (Moody's / S&P)	Maturity Date	Amount (\$ in Thousands)	Coupon	Spread to Treasury
11/14/2016	Kentucky American Water	Not Rated	12/1/2046	\$ 5,000	4.00%	105
30-Year Issuance Comparables						
11/10/2016	Virginia Electric & Power Co	A2 / A	11/15/2046	\$ 500,000	4.00%	110
11/2/2015	Pacific Gas & Electric Co	A3 / BBB+	3/15/2046	\$ 450,000	4.25%	120
Average 30-Year Issuances				\$ 475,000	4.13%	115



U.S. Treasury Rates



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SEP 18 2017

PUBLIC SERVICE
COMMISSION

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September 18, 2017

HAND DELIVERED

Mr. John S. Lyons
Acting Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

Re: Case No. 2015-00400

Dear Mr. Lyons:

Enclosed please find an original and six copies of Kentucky American Water's Ordering Paragraph 4 Report in the above-referenced matter.

Very truly yours,

Stoll Keenon Ogden PLLC

A handwritten signature in blue ink that reads "Lindsey W. Ingram III".

Lindsey W. Ingram III

Enclosure
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**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

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SEP 18 2017

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:)
)
APPLICATION OF KENTUCKY-AMERICAN) **CASE NO. 2015-00400**
WATER COMPANY FOR ISSUANCE OF)
INDEBTEDNESS AND CONTINUED)
PARTICIPATION WITH AMERICAN WATER)
CAPITAL CORP.)

ORDERING PARAGRAPH 4 REPORT

In accordance with Ordering Paragraph 4 of the Commission’s January 19, 2016 Order in this matter, this is to report to the Commission that Kentucky American Water (“KAW”) issued debt in the amount of \$5,000,000 on September 13, 2017 in accordance with the Commission’s Order. The debt was issued pursuant to KAW’s participation in the American Water Capital Corporation (“AWCC”) borrowing program. The interest rate for the issuance is 3.75% and it matures on September 1, 2047.

The attached documentation shows that the rate of 3.75% was the most reasonable at the time of issuance. It demonstrates the advantages and reasonableness of KAW’s participation in the AWCC borrowing program which ensures that KAW receives the lowest available rate for its borrowings. It shows U.S. Treasury rate for a 30-year term and includes information regarding recent utility issuances. In sum, the attached shows the rate of 3.75% to be the most reasonable under the circumstances that existed at the time of issuance.

Date: September 18, 2017

Respectfully submitted,

STOLL KEENON OGDEN PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1 801
Telephone: (859) 231-3000

By:



Lindsey W. Ingram III
L.Ingram@skofirm.com

Attorneys for Kentucky-American Water Company



AMERICAN WATER

Charles Witherspoon
Assistant Treasurer
131 Woodcrest Rd
Cherry Hill, NJ 08003
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To: Kentucky American Water (KAW)
Date: September 13, 2017
RE: KAW Debt Financing Interest Rate

KAW is currently not rated by the credit rating agencies but if it were, it is likely that KAW would be rated lower than American Water Capital Corp (AWCC)'s A3 (Stable) and A (Stable) from Moody's and Standard and Poor's, respectively.

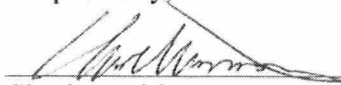
As shown in the credit metrics below, American Water Works Company (AWK) has stronger coverage ratios than that of KAW with ratios such as EBITDA/Interest at 5.02x compared to KAW's 4.58x. In addition, AWCC enjoys the benefit of size (economy of scale), diversification, and greater access to a broader base of investors through larger capital markets' offerings. Additionally, AWCC has a support agreement with AWK, which serves as a functional equivalent of a guarantee, pursuant to which AWK has agreed to pay any principal or interest that AWCC fails to pay on a timely basis.

	As of 12/31/2016	
	American Water Works Company, Inc.	Kentucky-American Water Company
EBITDA / Interest Expense	5.02x	4.58x
Total Debt/EBITDA	4.41x	4.07x
Total Debt / Total Capitalization	57.9%	54.5%
Cash Flow from Operations/Interest Expense	3.93x	3.08x
Cash Flow from Operations/Debt	17.8%	16.5%

It should also be noted that as a result of aggregating the financing needs of all the operating subsidiaries, AWCC is able to issue larger amounts and obtain lower underwriting fee as a percentage of total debt issuance. Furthermore, the fixed portion of the issuance costs may be spread over a number of operating subsidiaries which otherwise would have been borne in its entirety by one entity.

Therefore, AWCC is able to issue debt more cost efficiently at a lower all-in-rate than otherwise feasible for operating subsidiaries on a stand-alone basis, including KAW. AWCC then loans the proceeds to the operating subsidiaries as needed at the same or better terms (including maturity and interest rates) than those obtained by AWCC.

Respectfully,



Charles Witherspoon
Assistant Treasurer



Term Sheet

Lender:	American Water Capital Corp.
Lender's Credit Rating (Moody's / S&P)	A3 (stable outlook) / A (stable outlook)
Borrower:	Kentucky American Water
Borrower's Credit Rating	Not Rated
Amount:	\$5,000,000
Tenor:	30 Years due September 1, 2047
Tax Type:	Taxable
Trade Date:	September 13, 2017
Settlement Date:	September 13, 2017
Maturity Date:	September 1, 2047
Benchmark Treasury:	UST 3.00% due February 15, 2047
Benchmark Treasury Yield:	2.837%
Spread to Benchmark Treasury:	+93bps
Yield to Maturity:	3.767%
Coupon:	3.750%
Price	99.693%
Redemption Provisions:	Adjusted Treasury Rate +15bps for the 2047
CUSIP / ISIN:	03040WAR6 / US03040WAR60
Book Runners:	J.P. Morgan Securities LLC; U.S. Bancorp Investments, Inc.; Wells Fargo Securities, LLC; MUFG Securities Americas Inc.
Co-Managers:	Mizuho Securities USA LLC; PNC Capital Markets LLC; Regions Securities LLC; Merrill Lynch, Pierce, Fenner & Smith Inc; RBC Capital Markets LLC; TD Securities (USA) LLC; BB&T Capital Markets; Santander Investment Securities; Castle Oak Securities, L.P.; C.L. King & Associates, Inc.; Drexel Hamilton, LLC; Loop Capital Markets LLC; MFR Securities, Inc.; Samuel A. Ramirez & Company, Inc.; Siebert Cisneros Shank & Co., LLC; The Williams Capital Group, L.P.
Trustee for Lender	Wells Fargo Bank
Use of Proceeds	To make repayments of commercial paper, capital expenditures, and for general corporate purposes.



Comparable Transactions: Recent Utility New Issuances

Issue Date	Issuer	Ratings (Moody's / S&P)	Maturity Date	Size (\$MM)	Coupon	Spread to Treasury
9/13/2017	Kentucky American Water	Not Rated	9/1/2047	\$ 5	3.750%	93
30-Year Issuance Comparables						
3/31/2017	Oklahoma Gas & Electric Co.	A1 / A-	4/1/2047	\$ 300	4.150%	100
6/8/2017	Consolidated Edison Co. of New York Inc.	A2/A-	6/15/2047	\$ 500	3.875%	80
Average Comparable 30-Year Issuances				\$ 400	4.01%	90



U.S. Treasury Benchmark Yield





AWCC Bond Description – 30 Year; 3.75% Coupon

AWK 3 3/4 09/01/47 \$↑99.586 +.178 97.0 bp vs T 3.00 05/15/2047	
As of 14 Aug Vol 2.5MM Source TRAC	
AWK 3 3/4 09/01/47 Corp	Settings
94 Notes	95 Buy 96 Sell
29 Bond Description	20 Issuer Description
Pages 1) Bond Info 2) Addtl Info 3) Covenants 4) Guarantors 5) Bond Ratings 6) Identifiers 7) Exchanges 8) Inv Parties 9) Fees, Restrict 10) Schedules 11) Coupons Quick Links 32) ALLQ Pricing 33) QRD Quote Recap 34) TDH Trade Hist 35) CACS Corp Action 36) CF Prospectus 37) CN Sec News 38) HDS Holders 39) VPRD Underly Info 66) Send Bond	Issuer Information Name AMERICAN WATER CAPITAL C Industry Utilities Security Information Mkt Iss Global Country US Currency USD Rank Sr Unsecured Series Coupon 3.750000 Type Fixed Cpn Freq S/A Day Cnt 30/360 Iss Price 99.69300 Maturity 09/01/2047 MAKE WHOLE @15.000000 until 03/01/47/ CALL 03... Iss Sprd +93.00bp vs T 3 02/15/47 Calc Type (1) STREET CONVENTION Pricing Date 08/07/2017 Interest Accrual Date 08/10/2017 1st Settle Date 08/10/2017 1st Coupon Date 03/01/2018
	Identifiers ID Number A06729500 CUSIP 03040WAR6 ISIN US03040WAR60 Bond Ratings Moody's A3 S&P A Composite A- Issuance & Trading Amt Issued/Outstanding USD 750,000.00 (M) / USD 750,000.00 (M) Min Piece/Increment 1,000.00 / 1,000.00 Par Amount 1,000.00 Book Runner JOINT LEADS Reporting TRACE