

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE VERIFIED APPLICATION OF AMERICAN)
WATER WORKS COMPANY, KENTUCKY-)
AMERICAN WATER COMPANY, NEXUS)
REGULATED UTILITIES, LLC, AND WATER) CASE NO. 2025-00171
SERVICE COMPANY OF KENTUCKY FOR)
APPROVAL OF THE TRANSFER OF CONTROL)
OF WATER SERVICE COMPANY OF)
KENTUCKY)

VERIFIED JOINT APPLICATION

Pursuant to KRS 278.020(6) and (7), Kentucky-American Water Company (“KAWC”), American Water Works Company (“American Water”), Nexus Regulated Utilities, LLC (“Nexus”), and Water Service Company of Kentucky, Inc. (“Water Service”) (collectively “Joint Applicants”) apply to the Public Service Commission (“the Commission”) for approval of (1) Nexus’s sale of its equity and ownership interest in Water Service to American Water; (2) American Water’s acquisition of Nexus’s equity and ownership interest in Water Service; and (3) the merger of Water Service into KAWC and KAWC’s assumption of all Water Service’s assets, rights and obligations, including its water systems in Bell and Clinton Counties, Kentucky. The Joint Applicants request that the Commission enter a decision upon the Application by August 1, 2025, if possible.

In support of their Application, the Joint Applicants state:

A. General Information

1. KAWC is a corporation organized and existing under the laws of the Commonwealth of Kentucky with its principal office and place of business at 2300 Richmond Road, Lexington, Kentucky 40502. Its electronic mail address for purposes of this proceeding is

its counsel's electronic mail address as set forth below. KAWC was incorporated on February 27, 1882, and is currently in good standing in the Commonwealth of Kentucky.

2. American Water is a corporation organized and existing under the laws of the state of Delaware with its principal office and place of business at One Water Street, Camden, New Jersey 08102. Its electronic mail address for purposes of this proceeding is its counsel's electronic mail address as set forth below. American Water was incorporated on August 28, 1936, and is currently in good standing in the state of Delaware. It does not transact business in the Commonwealth of Kentucky and is not authorized to transact business in the Commonwealth of Kentucky.

3. Nexus is a limited liability company organized and existing under the laws of the state of Illinois with its principal office and place of business at 500 W. Monroe Street, Suite 3600, Chicago, Illinois. It was organized on May 14, 2025 and is in good standing in the state of Illinois.¹ Its electronic mail address for purposes of this proceeding is its counsel's electronic mail address as set forth below.

4. Water Service is a corporation organized and existing under the laws of the Commonwealth of Kentucky. Water Service's business address is 102 Water Plant Road, Middlesboro, KY 40965. Its electronic mail address for purposes of this proceeding is its counsel's electronic mail address as set forth below. Water Service was incorporated on April 12, 2002, and is currently in good standing in the Commonwealth of Kentucky.

5. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

¹ Prior to May 14, 2025, when it was converted to a limited liability company, Nexus Regulated Utilities, LLC was organized as a corporation and operated under the names, Nexus Regulated Utilities, Inc., Corix Regulated Utilities, Inc., and Utilities, Inc. It was originally incorporated under the laws of Illinois on May 1, 1995.

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B. Description of the Joint Applicants

6. American Water, a publicly traded company, is the largest and most geographically diverse investor-owned water and wastewater utility company in the United States, serving 3.5 million customer connections in fourteen states, including the Commonwealth of Kentucky, through its regulated operating subsidiaries. Its transmission and distribution network includes 795 water and wastewater treatment plants, 1,700 pumping stations, 1,200 groundwater wells, 1,100 treated water storage facilities, 74 dams, and approximately 54,000 miles of main and collection pipes.

7. KAWC is a wholly-owned subsidiary of American Water and is engaged in the distribution and sale of water in its Central Division, consisting of Bourbon, Clark, Fayette, Harrison, Jessamine, Nicholas, Scott, and Woodford Counties; its Northern Division, consisting of Gallatin, Owen, Grant, and Franklin Counties; and the Southern Division, consisting of Rockcastle and Jackson Counties. It is the largest investor-owned water utility in the Commonwealth of Kentucky, currently serves more than 138,000 customers, and provides wholesale water service to ten public water systems. It operates three water treatment facilities with a combined treatment capacity of 85 million gallons per day, 26 water storage facilities with a combined storage volume of 27,545,000 gallons, and 2,342 miles of water main. It also provides wastewater service to approximately 1,350 customers in Bourbon, Clark, Franklin, and Owen Counties. For the year ending December 31, 2024, it had total water sales of \$124,434,142. As of December 31, 2024, it had a net utility plant of \$830,739,665. KAWC is a utility as defined in KRS 278.010(3) and is subject to the Commission's jurisdiction.

8. Nexus is a holding company with its principal place of business in Chicago, Illinois that owns U.S. water and wastewater utility companies serving more than 1.3 million people across 20 states in the United States and two Canadian provinces. Nexus is the direct corporate parent of Water Service. Nexus is a wholly owned indirect subsidiary of Nexus Water Group, Inc., which is headquartered in Sugar Land, Texas.

9. Water Service owns and operates water treatment and distribution systems in Bell and Clinton Counties, which serve approximately 6,000 customers. For the year ending December 31, 2024, it reported total water sales of \$3,829,987 and a net utility plant of \$7,7577,458.

C. Proposed Transaction

10. On May 19, 2025, American Water and Nexus executed a purchase and sale agreement (“Purchase Agreement”) under which American Water agreed to acquire from Nexus all of the issued and outstanding equity interests in specified entities that own regulated water and wastewater systems located in various states, including Water Service in Kentucky. The purchase price is approximately \$315 million in cash, subject to adjustment at the closing of the purchase based on the calculations and criteria provided in the Purchase Agreement. Upon the closing of the transaction, American Water will be the sole shareholder of the stock of each Nexus subsidiary. The transaction is conditioned upon, among other things, American Water and Nexus obtaining the required regulatory approvals of public utility commissions to which the Nexus subsidiaries are subject. A copy of the Purchase and Sale Agreement is attached to this Application as Exhibit A.

11. Upon the closing of American Water’s purchase of the stock of the Nexus subsidiaries, American Water, KAWC, and Water Service will execute an agreement and plan for merger providing for the merger of Water Service and KAWC. Under this Agreement, Water Service will merge with KAWC and cease to exist. KAWC will continue as the surviving corporation. A copy of the proposed Agreement and Plan of Merger is attached to this application as Exhibit B.

12. Upon the proposed merger’s completion, KAWC will assume responsibility for the operations of Water Service’s facilities. It will make any necessary improvements over time to ensure that the existing and future customers of those facilities are provided with the same quality of service as is currently being provided to KAWC customers. All current Water Service employees will be retained as KAWC employees.

13. KAWC intends to staff and operate the water treatment and distribution systems acquired with the proposed merger in Bell and Clinton Counties under the same standards and practices in effect across existing KAWC jurisdictions. The Bell and Clinton operations will be incorporated into the existing management structure headquartered in Lexington, Kentucky. Regional and local management oversight will be provided to ensure day to day operations comply with established rules, regulations, and standards set forth by the Commission, the Kentucky Division of Water, and KAWC. Customer metering, billing, and customer service support will be provided by American Water's national customer service center while onsite customer service response will be provided by local employees employed to service both Bell and Clinton operations. Water treatment and distribution system operations will be performed by trained and licensed local employees and monitored by a SCADA system that will be incorporated into the larger KAWC SCADA system that monitors all other state operations. Both Bell and Clinton operations will be operated from local operation centers.

14. KAWC proposes to serve Water Service's customers in accordance with KAWC's existing water service tariff on file with the Commission except that the rates to be charged would remain the same as set forth at pages 38 and 39 of Water Service's current tariff on file with the Commission. A copy of these pages is attached as Exhibit C to this Application. If the Commission approves the proposed transfer of control requested in this Application, KAWC will file an Adoption Notice of pages 38 and 39 of Water Service's current tariff in accordance with 807 KAR 5:011, Section 11.

15. American Water intends to allocate KAWC the cost of the assets acquired through the Purchase Agreement and proposed merger based upon the ratio of Water Service's capital structure balance to that of total capital structure balance of the entities acquired through the

Purchase Agreement. Water Service's total capital structure balance represents approximately 4.34 percent of the total capital structure balance. Accordingly, KAWC would be allocated approximately \$13,671,000 of total purchase price of \$315 million. KAWC proposes to record the cost of the acquired Water Service assets at their book value. It will not request any adjustment for ratemaking purposes to reflect the difference between the book value of these assets at the time of the proposed merger and their allocated acquisition cost.

16. The operators and regional employees who service Water Service take pride in providing water and wastewater service in these areas, and to ensure a smooth transition for customers and employees, KAWC is committed to offering employment to Water Service employees consistent with the terms of the agreement. In addition, KAWC commits not to terminate (other than for cause or in the event of a voluntary resignation) any Water Service employee who accepts an offer of employment for twelve (12) months following the closing of the proposed transaction.

D. Applicable Law

17. KRS 278.040 provides the Commission with exclusive jurisdiction to regulate the rates and services of a utility. KRS 278.010 defines terms used in Chapter 278; based on these definitions, the Water Service and KAWC are "utilities" and American Water and Nexus are "persons."

18. KRS 278.020 requires Commission approval when a person acquires ownership or control of a utility. Specifically, subsections (6) and (7) provide:

(6) No person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, or abandon the same, without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility

has the financial, technical, and managerial abilities to provide reasonable service.

(7) No individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an “acquirer”), whether or not organized under the laws of this state, shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtained the approval of the commission. . . . The commission shall approve any proposed acquisition when it finds that the same is to be made in accordance with law, for a proper purpose and is consistent with the public interest. . . .

19. Accordingly, the proposed transaction must be approved if it is shown that American Water and KAWC have the “financial, technical, and managerial abilities to provide reasonable service” and the proposed transaction is “in accordance with law, for a proper purpose, and is consistent with the public interest.”

20. To demonstrate that a transfer of control is in the public interest, an acquiring party seeking approval of such transfer

must show that the proposed transfer will not adversely affect the existing level of utility service or rates *or* that any potentially adverse effects can be avoided through the Commission’s imposition of reasonable conditions on the acquiring party. The acquiring party should also demonstrate that the proposed transfer is likely to benefit the public through improved service quality, enhanced service reliability, the availability of additional services, lower rates, or a reduction in utility expenses to provide present services. Such benefits, however, need not be immediate or readily quantifiable.²

² *Application for Approval of the Transfer of Control of Kentucky-American Water Company to RWE Aktiengesellschaft and Thames Water Aqua Holdings GMBH*, Case No. 2002-00018 at 8-9 (Ky. PSC May 30, 2002); *see also Application of DLR Enterprises, Inc. And Cow Creek Gas, Inc. for Approval of the Transfer of Certain Assets Formerly Owned and Controlled by Sigma Gas Corporation*, Case No. 2007-00419 at 6 (Ky. PSC Nov. 21, 2007) (“The Commission has previously held that a transfer is in the ‘public interest’ if it does not adversely affect the existing level of utility service or rates or that any potentially adverse effects can be avoided through the Commission’s imposition of reasonable conditions on the acquiring party.”).

The proposed transfer need not “produce readily quantifiable benefits to be in the public interest.” The Commission has previously recognized that “most transfers of control . . . would be unable to meet . . . [such a] standard.”³

E. American Water and KAWC possess the requisite abilities to provide reasonable service

21. American Water and KAWC have the financial, technical, and managerial expertise to operate and manage the Water Service facilities and to provide reasonable service to the areas currently receiving water service from those facilities. As stated above, American Water serves 3.5 million customer connections in fourteen states through its regulated operating subsidiaries. Its transmission and distribution network includes 795 water and wastewater treatment plants, 1,700 pumping stations, 1,200 groundwater wells, 1,100 treated water storage facilities, 74 dams, and approximately 54,000 miles of main and collection pipes. KAWC currently serves more than 138,000 customers in Kentucky and provides wholesale water service to ten public water systems. Evidence of KAWC’s financial integrity can be found in its annual reports that are on file with the Commission.

22. KAWC will retain Water Service’s existing employees, thus ensuring the continuity of existing service. Moreover, these employees will have access to additional manpower in the form of existing KAWC employees who are serving other areas in the Commonwealth who will be readily available to assist when necessary.

23. KAWC has been continuously providing water service to areas of the Commonwealth since 1882. Its continued operation of water facilities within Commonwealth and across multiple Kentucky counties is evidence of its ability to provide reliable service to residential, commercial, and industrial customers.

³ Case No. 2002-00018, Order of July 10, 2002 at 9-10.

24. As a publicly traded company, American Water can readily access the equity and bond markets to obtain additional capital. KAWC can access lower cost capital through American Water Capital Corp., an American Water affiliate.

F. The Proposed Transaction is in the Public Interest

25. The proposed transaction will produce benefits arising from the advantages of a larger, more diversified company; allow for greater access to capital needed to support further investment in facilities and systems that currently serve Water Service's customers; generate operational benefits to Water Service customers; and provide additional benefits over time to all KAWC customers.

26. Given their larger size and greater financial resources, American Water and KAWC are much better positioned to make significant, long-term investments required to provide quality water services to the communities of Bell and Clinton Counties that Water Service currently serves.

27. The Proposed Transaction will provide current Water Service employees with access to additional experience and resources in closer geographical proximity with KAWC's headquarters in Lexington, Kentucky.

28. The Proposed Transaction will allow Water Service's customers to receive the benefits from access to American Water's highly trained professionals in water treatment, compliance, and operations, supported by a central laboratory certified in 17 states, processing over 30,000 samples annually and collaborating with the USEPA on drinking water standards.

29. The Proposed Transaction will have no immediate effect on customer rates of existing customers of Water Service or KAWC.

30. KAWC's current customers will benefit through the acquisition of approximately 6,000 additional customers that permits the cost of service to be spread over a larger customer base and increases KAWC's ability to secure discounts on the purchasing of goods and services, such as treatment chemicals, pipes, and professional services.

31. The Proposed Transaction will have no effect on the Commission's ability to regulate the rates and services provided to the customers that Water Service currently serves.

G. Conclusion

32. American Water and KAWC have the financial, technical, and managerial abilities provide reasonable utility service to the areas Water Service currently serves. The proposed transfer of control and ownership of Water Service to American Water and KAWC as set forth in the Purchase and Sale Agreement and proposed Agreement and Plan of Merger is in accordance with law, for a proper purpose and is consistent with the public interest and should be approved.

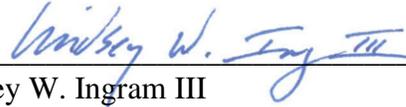
WHEREFORE, the Joint Applicants respectfully request that the Commission

1. Place their Application at the head of its docket of the commission and enter an Order on their Application by August 1, 2025 if possible;
2. Authorize the transfer of control and ownership of Water Service to American Water and KAWC as set forth in the Purchase and Sale Agreement and proposed Agreement and Plan of Merger;
3. Authorizing KAWC to provide water services to Water Service customers in accordance with KAWC's existing water tariff on file with the exception that the rates charged to former Water Service customers will remain the same as set forth at pages 38 and 39 of Water Service's current tariff on file with the Commission; and,

4. All other appropriate relief.

Dated: May 30, 2025

Respectfully submitted,



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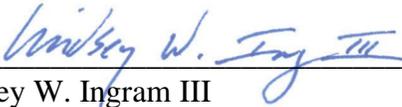
*Counsel for American Water Works Company and
Kentucky-American Water Company*

_____/s/ M. Todd Osterloh_____

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*Attorneys for Nexus Regulated Utilities, LLC Water
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CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was submitted electronically to the Public Service Commission on May 30, 2025, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding

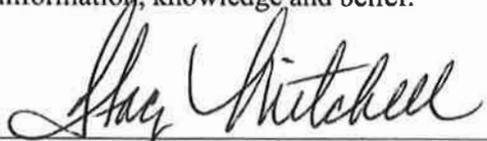


Lindsey W. Ingram III

VERIFICATION

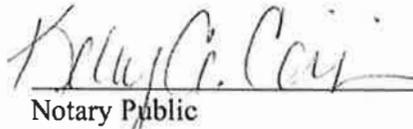
STATE OF NEW JERSEY)
) **SS:**
COUNTY OF CAMDEN)

The undersigned, Stacy Mitchell, being duly sworn, deposes and says that she is the Executive Vice President and General Counsel of American Water Works Company, Inc., that she has personal knowledge of the matters set forth in this Joint Application, and that they are true and correct to the best of her information, knowledge and belief.



Stacy Mitchell

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 28 day of May, 2025.



Notary Public

My Commission Expires:

3/11/2026

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|--|
| <p>Kelly A. Cecchini NOTARY PUBLIC STATE OF NEW JERSEY ID # 50034272 MY COMMISSION EXPIRES 03/11/2026</p> |
|--|

Notary ID No.

50034272

VERIFICATION

STATE OF TEXAS)
) SS:
COUNTY OF FORT Bend)

The undersigned, Richard Rich, being duly sworn, deposes and says that he is the Chief Operating Officer of Nexus Regulated Utilities, LLC, that he has personal knowledge of the matters set forth in this Joint Application related to Nexus Regulated Utilities, LLC, and that they are true and correct to the best of his information, knowledge and belief.

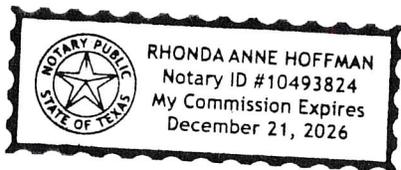


Richard Rich

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 30 day of May, 2025.



Notary Public



My Commission Expires: December 21, 2026

Notary ID No. 10493824

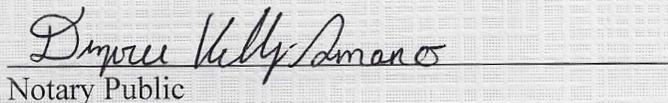
VERIFICATION

STATE OF ILLINOIS)
) SS:
COUNTY OF Kane)

The undersigned, Justin Kersey, being duly sworn, deposes and says that he is the President of Water Service Corporation of Kentucky, that he has personal knowledge of the matters set forth in this Joint Application related to Water Service Corporation of Kentucky, and that they are true and correct to the best of his information, knowledge and belief.


Justin Kersey

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 29th day of May, 2025.


Notary Public

My Commission Expires: 06/27/2026

Notary ID No. 954546

