

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

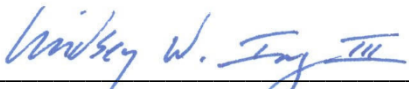
IN THE MATTER OF:)
)
APPLICATION OF KENTUCKY-AMERICAN) CASE NO. 2026-00019
WATER COMPANY FOR ISSUANCE OF)
INDEBTEDNESS AND CONTINUED)
PARTICIPATION WITH AMERICAN WATER)
CAPITAL CORP.)

ORDERING PARAGRAPH 5 REPORT

In accordance with Ordering Paragraph 5 of the Commission’s March 27, 2026 Order in this matter, this is to report to the Commission that Kentucky-American Water Company (“KAW”) issued debt in the total amount of \$50 million on May 15, 2026 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. Detailed terms of the issuances are in the attached documentation along with a description of how AWCC obtains the most favorable debt pricing possible.

Date: June 11, 2026

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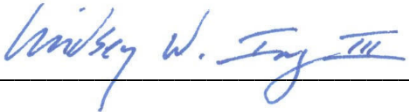
BY: 

Lindsey W. Ingram III
Attorneys for Kentucky-American Water Company

CERTIFICATE

In accordance with 807 KAR 5:001 Section 8(7) and the Commission's March 16, 2020 Order in Case No. 2020-00085, this is to certify that Kentucky-American Water Company's electronic filing was transmitted to the Commission on June 11, 2026 and that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

STOLL KEENON OGDEN PLLC

By 

Attorneys for Kentucky-American Water Company

American Water Capital Corp Term Sheet

Issuer	American Water Capital Corp.
Offering	Senior Unsecured Notes
Credit Rating (Moody's / S&P)	Baa1 (stable outlook) / A (stable outlook)
Principal Amount	\$700m
Tenor	10-years
Maturity Date	April 1, 2036
Benchmark Treasury	UST 4.125% due February 15, 2036
Benchmark Treasury Yield	4.340%
Spread to Benchmark Treasury Yield	+87bps
Yield to Maturity	5.210%
Coupon	5.200%
Price	99.923%
Optional Redemption	Par call: On or after January 1, 2036; Make-whole call: Treasury Rate +15bps
Interest Payment Dates	April 1 and October 1 of each year, beginning on October 1, 2026
CUSIP	03040WBH7
Use of Proceeds	See sources and uses
Joint Book-Running Managers	Wells Fargo Securities, LLC PNC Capital Markets LLC RBC Capital Markets, LLC U.S. Bancorp Investments, Inc. BofA Securities, Inc. J.P. Morgan Securities LLC Mizuho Securities USA LLC TD Securities (USA) LLC Truist Securities, Inc.
Sr. Co-Managers:	Huntington Securities, Inc. Regions Securities LLC Scotia Capital (USA) Inc.
Co-Managers:	BNY Mellon Capital Markets, LLC Siebert Williams Shank & Co., LLC
Jr. Co-Managers:	Academy Securities, Inc. Independence Point Securities LLC Roberts & Ryan, Inc. Samuel A. Ramirez & Company, Inc.

Kentucky American Water Term Sheet

Borrower	Kentucky American Water Company
Lender	American Water Capital Corp.
Offering	Senior Unsecured Notes
Principal Amount	\$50m
Tenor	10-years
Issue Date	May 15, 2026
Maturity Date	April 1, 2036
Benchmark Treasury	UST 4.125% due February 15, 2036
Benchmark Treasury Yield	4.340%
Spread to Benchmark Treasury Yield	+87bps
Yield to Maturity	5.210%
Coupon	5.200%
Price	99.923%
Optional Redemption	Par call: On or after January 1, 2036; Make-whole call: Treasury Rate +15bps
Interest Payment Dates	April 1 and October 1 of each year, beginning on October 1, 2026
CUSIP	03040WBH7

Issuance: **\$50,000,000**

Scenario 1: AWCC Sr. Unsecured Note

Interest Rate

New Issue Yield	4.340%
New Issue Spread-Discount	0.860%
New Issue Yield	5.200%
Size/Liquidity Premium	0.000%
New Issue Yield	5.200%

Issuance Costs

Underwriter	0.65%	\$	325,000
Legal	0.04%	\$	21,993
Rating Agency	0.17%	\$	83,750
Accounting	0.01%	\$	7,143
Trustee	0.00%	\$	857
Other	0.02%	\$	9,266
		\$	448,008

Upfront Rating Agency Costs

Annual Fees	\$2,936
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Annual Interest Expense

Coupon Rate	5.200%
Interest Expense	\$2,600,000

Scenario 2: Kentucky American Standalone Issuer (Private Placement)

Interest Rate

Benchmark Yield	4.340%
New Issue Spread-Discount	0.860%
New Issue Yield	5.200%
Size/Liquidity Premium ¹	0.200%
New Issue Yield	5.400%
Increase vs. Scenario 1:	0.20%

Issuance Costs

Underwriter	0.65%	\$325,000
Legal ²	0.62%	\$307,900
Rating Agency ³	0.61%	\$305,000
Accounting ⁴	0.20%	\$100,000
Trustee	0.02%	\$12,000
Other ⁵	0.31%	\$154,718
		\$1,204,618

Increase vs. Scenario 1: **\$756,609**

Upfront Rating Agency Costs

Initial ⁶	\$455,000
Annual Fees ⁶	\$187,750
	\$642,750

Increase vs. Scenario 1: **\$639,814**

Annual Interest Expense

Coupon Rate	5.40%
Interest Expense	\$2,700,000
Increase vs. Scenario 1:	\$100,000

Notes:

Note 1: Kentucky- American would likely incur an additional premium of 20 bps or more.

Note 2: If Kentucky -American were a standalone issuer, the subsidiary would incur the total Legal expense instead of a portion of the cost spread across all issuing subsidiaries.

Note 3: Standalone offering by Kentucky -American would require a credit rating by two agencies with a issuance fees as follows: (Moody's min. fee \$150K & S&P min. fee \$155K).

Note 4: If Kentucky -American were a standalone issuer, the subsidiary would incur the costs of additional accounting work performed by external auditors.

Note 5: If Kentucky -American were a standalone issuer, the subsidiary would likely incur other costs such as SEC registration, investor marketing, and other administrative costs.

Note 6: Upfront rating agency cost of \$643K includes initial rating fee of \$250K (Moody's) and \$205K (S&P) and annual surveillance fee of \$90K (Moody's) and \$98K (S&P)

To: Kentucky American Water (KAW)

Date: May 15, 2026

RE: American Water Capital Corp. Capital Markets Strategy

As approved by the Commission, Kentucky American Water (the “Company” or “Kentucky-American”) primarily utilizes the services of American Water Capital Corp. (“AWCC”) to fulfill its debt capital raising needs. AWCC has a consortium of banking partners, including some of the largest global institutions, that it regularly engages with to raise capital to support its investment needs. These banking partners are experts in debt and equity capital markets with extensive experience executing financing transactions. AWCC leverages this expertise to raise capital at the lowest cost possible. Through the guidance of these banking partners, AWCC primarily utilizes the Public markets, rather than private transactions with banks or bond investors, which allow for access to a larger number of investors with diverse portfolios. AWCC has access to the public market given that it is rated by Moody’s and S&P and the consolidated financing need of AWCC surpasses the index eligibility threshold (>\$300M). The Public market access results in AWCC being able to achieve a lower interest rate versus the private market alternatives.

Unlike the private markets that require the solicitation of individual lending partners for quotes, ‘quotes’ in the Public markets are received on the day of execution. Before officially ‘launching’ the transaction, AWCC, working with its banking partners, starts the ‘marketing’ phase of the transaction. During this phase, a release is made to the Public market outlining AWCC’s intention to raise capital. The announcement will inform potential investors of the instrument type, tenor, size, and initial pricing thoughts (estimates). The banking partners will communicate with potential investors to garner interest and fill an order book. The goal of the marketing phase is to build orders in excess of the desired amount of capital to be raised. As the order book begins to build, AWCC and its banking partners hold discussions regarding current market conditions, strength of the orders/investors, and viable pricing options given the demand received from investors. At the time of launch, final sizing and pricing is conveyed to investors and an ultimate order book is compiled. The magnitude to which the order book exceeds the amount of capital to be raised, or is oversubscribed, will determine how much leverage AWCC has to put downward pressure on final pricing. Pricing is a product of three parts: benchmark yield (treasuries), credit spread, and new issue concession. New issue concession is the additional yield over the current trading price of existing bonds paid to investors to purchase the new instrument. The process followed in the Public markets as described above ensures the best possible pricing.

In May 2026, Kentucky-American needed to raise \$50 million of debt capital to support its capital investment requirements. This amount is below what is considered an ‘index eligible’ transaction and would therefore limit Kentucky-American’s options for raising the needed capital in the private markets. As the attached analysis shows, in addition to having to pay for all of the associated Issuance Costs and Upfront Rating Agency costs, it is expected that a 20 basis point premium would be required by investors in the private markets, due to the small size and resulting limited



AMERICAN WATER

liquidity in the bonds. This further demonstrates the benefits of the lending relationship Kentucky-American and its customers enjoy with AWCC.

As described above, Public debt market process provides for an efficient way to issue debt capital and 'quotes' received during the marketing phase of the process should service as sufficient evidence that Kentucky-American received the lowest possible interest rate that could be achieved.

Respectfully,

Nicholas Furia

VP & Treasurer

American Water Works Service Company, Inc.