

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR A WAIVER FROM 30-)
DAY NOTICE REQUIREMENT SET FORTH IN) CASE NO. 2010-00232
THE COMMISSION'S ORDER OF AUGUST 21,)
2009 IN CASE NO. 2009-00156)

ORDER

Kentucky-American Water Company ("Kentucky-American") has applied for a waiver from the notice provisions set forth in the Commission's Order of August 21, 2009 in Case No. 2009-00156.¹ It requests permission to provide less than 30 days prior notice of a pending issuance of tax-exempt private activity bonds.

On May 29, 2009, the Commission authorized Kentucky-American to continue its participation in the American Water Capital Corporation ("AWCC") borrowing program and authorized the issuance of securities in the form of notes or debentures in the amount of \$104.5 million prior to November 1, 2010. Approximately \$45.4 million of this amount involved the proceeds of private activity bonds that Owen County subsequently lent to AWCC, which, in turn, lent to Kentucky-American to permanently finance a portion of the costs associated with the construction of Kentucky River Station II facilities.

¹ Case No. 2009-00156, *Application of Kentucky-American Water Company for Issuance of Indebtedness and Continued Participation with American Water Capital Corp.* (Ky. PSC Aug. 21, 2009).

On August 21, 2009, at Kentucky-American's request, we stated that our Order of May 29, 2009 provided sufficient authorization for Kentucky-American to execute the necessary agreements related to a second issuance of tax-exempt private activity bonds and for any additional issuances of such bonds when the purpose of such issuance is to displace a portion of the \$104.5 million long-term debt that was the subject of that Order. We also directed that Kentucky-American provide the Commission with 30 days' prior notice of any future issuance of tax-exempt private activity bonds that will displace a portion of the \$104.5 million long-term debt.

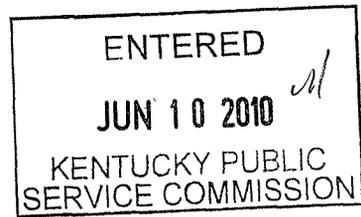
On June 2, 2010, Kentucky-American notified the Commission in writing that it had another opportunity to displace an additional \$26 million of the \$104.5 million long-term debt with tax-exempt private activity bonds whose proceeds will be used to finance a portion of the cost of Kentucky-American's new water treatment facility. This transaction is scheduled to occur on June 24, 2010.

Kentucky-American requests that the Commission reduce the required notice to the Commission for this transaction from 30 days to 22 days. It states that the required 30 days' prior notice was not provided because of uncertainty surrounding the transaction and that notice was provided when the uncertainty was resolved.

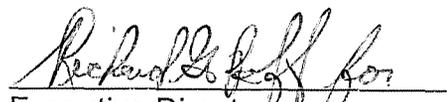
Having reviewed the application and being otherwise sufficiently advised, the Commission finds that the shortened notice period does not limit or impede the Commission's ability to monitor Kentucky-American's activities in this matter, that no evidence exists of any intentional evasion or omission on Kentucky-American's part, and that good cause exists to grant the requested waiver.

IT IS THEREFORE ORDERED that Kentucky-American's application for a waiver from the notice provisions of the Commission's Order of August 21, 2009 in Case No. 2009-00156 to provide less than 30 days' prior notice of a pending issuance of tax-exempt private activity bonds is granted.

By the Commission



ATTEST:


Executive Director

Honorable Lindsey W Ingram, III
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KY 40507-1801