

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On May 30, 2025, American Water Works Company (American Water), Kentucky-American Water Company (Kentucky-American), Nexus Regulated Utilities, LLC (Nexus), and Water Service Company of Kentucky (Water Service Kentucky) (collectively, Joint Applicants), filed an application, pursuant to KRS 278.020(6) and (7), requesting Commission approval of (1) Nexus's<sup>1</sup> sale of its equity and ownership interest in Water Service Kentucky to American Water; (2) American Water's acquisition of Nexus's equity and ownership interest in Water Service Kentucky; and (3) the merger of Water Service Kentucky into Kentucky-American; and (4) Kentucky-American's assumption of all Water Service Kentucky's assets, rights and obligations, including its water systems in Bell and Hickman<sup>2</sup> counties, Kentucky.<sup>3</sup>

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<sup>1</sup> Nexus is not authorized to do business in the Commonwealth of Kentucky (filed June 2, 2025).

<sup>2</sup> Water Service Kentucky's Response to Commission Staff's First Request for Information (Staff's First Request) (filed June 25, 2025), Item 1. The application erroneously stated that Water Service Kentucky provided service in Clinton County, Kentucky, but was corrected to Hickman County, Kentucky.

<sup>3</sup> Application at 1.

There are no intervenors in this matter. Joint Applicants responded to two requests for information from Commission Staff.<sup>4</sup> On July 18, 2025, Joint Applicants filed a statement requesting submission of this matter on the record. This matter now stands submitted to the Commission for a decision.

### JOINT APPLICANTS

#### American Water

American Water is the largest investor-owned water and wastewater utility company in the United States.<sup>5</sup> It serves 3.5 million customer connections in fourteen states through its regulated operating subsidiaries.<sup>6</sup> American Water's 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.<sup>7</sup>

#### Kentucky-American

Kentucky-American is a wholly owned subsidiary of American Water and is engaged in the distribution and sale of water in American Water's Central, Northern, and Southern Divisions.<sup>8</sup> Kentucky-American is the largest investor-owned water utility in Kentucky and serves more than 138,000 customers in Bourbon, Clark, Fayette, Harrison,

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<sup>4</sup> Kentucky-American's Response to Commission Staff's First Request for Information (Staff's First Request) (filed June 25, 2025); Kentucky American's response to Commission Staff's Second Request for Information (Staff's Second Request) (filed July 15, 2025); Water Service of Kentucky's Response to Commission Staff's First Request (Staff's First Request) (filed June 25, 2025); Water Service of Kentucky's response to Commission Staff's Second Request (Staff's Second Request) (filed July 15, 2025).

<sup>5</sup> Application at 3.

<sup>6</sup> Application at 3.

<sup>7</sup> Application at 3.

<sup>8</sup> Application at 4.

Jessamine, Nicholas, Scott, Woodford, Gallatin, Owen, Grant, Franklin, Rockcastle, and Jackson counties.<sup>9</sup> Kentucky-American provides wholesale water service to ten public water systems, 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.<sup>10</sup> Additionally, Kentucky-American provides wastewater service to approximately 1,350 customers in Bourbon, Clark, Franklin, and Owen counties.<sup>11</sup>

### Nexus

Nexus is a holding company that owns water and wastewater utility companies across the United States.<sup>12</sup> Nexus serves more than 1.3 million customers in 20 states and two Canadian provinces.<sup>13</sup> Nexus is the direct corporate parent of Water Service Kentucky.<sup>14</sup> Nexus is a wholly owned subsidiary of Nexus Water Group, Inc.<sup>15</sup>

### Water Service Kentucky

Water Service Kentucky owns and operates water treatment and distribution systems in Bell<sup>16</sup> and Hickman<sup>17</sup> counties. Water Service Kentucky serves approximately

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<sup>9</sup> Application at 4.

<sup>10</sup> Application at 4.

<sup>11</sup> Application at 4.

<sup>12</sup> Application at 4.

<sup>13</sup> Application at 4.

<sup>14</sup> Application at 4.

<sup>15</sup> Application at 4.

<sup>16</sup> Application at 4.

<sup>17</sup> Water Service Kentucky's Response to Staff's First Request, Item 1.

6,000 customers.<sup>18</sup> Water Service Kentucky's reported total water sales were \$3,829,987 with a net utility plant of \$7,757,458 as of December 31, 2024.<sup>19</sup>

### LEGAL STANDARD

KRS 278.020(6) states:

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.

KRS 278.020(7) states, in relevant part:

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. . . . The commission shall grant, modify, refuse, or prescribe appropriate terms and conditions with respect to every such application within sixty (60) days after the filing of the application therefor, unless it is necessary, for good cause shown, to continue the application for up to sixty (60) additional days.

### PROPOSED TRANSACTION

On May 19, 2025, American Water and Nexus executed a purchase and sale agreement (Purchase Agreement) where American Water agreed to acquire from Nexus all of its issued and outstanding equity interests in specified entities that own regulated

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<sup>18</sup> Application at 4.

<sup>19</sup> Application at 4.

water and wastewater systems located in various states, including Water Service Kentucky.<sup>20</sup> The purchase price is approximately \$315 million, subject to adjustment at the closing of the purchase based on the calculations and criteria provided in the Purchase Agreement.<sup>21</sup> Pursuant to the Purchase Agreement, American Water would become the sole shareholder of the stock of each Nexus subsidiary at the closing of the transaction.<sup>22</sup> Joint Applicants stated that the transaction is conditioned upon obtaining the required regulatory approvals of public utility commissions to which the Nexus subsidiaries are subject.<sup>23</sup> Upon closing, Joint Applicants would execute an agreement and plan for merger of Water Service Kentucky and Kentucky-American.<sup>24</sup> Water Service Kentucky would merge with Kentucky-American and cease to exist, with Kentucky-American to continue as the surviving corporation.<sup>25</sup> Kentucky-American would assume responsibility for the operations of Water Service Kentucky's facilities and make any necessary improvements over time to ensure that the existing and future customers are provided with the same quality of service as current Kentucky-American customers.<sup>26</sup> Additionally, Kentucky-American would retain all current Water Service Kentucky employees.<sup>27</sup>

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<sup>20</sup> Application at 5.

<sup>21</sup> Application at 5.

<sup>22</sup> Application at 5.

<sup>23</sup> Application at 5.

<sup>24</sup> Application at 5.

<sup>25</sup> Application at 5.

<sup>26</sup> Application at 5.

<sup>27</sup> Application at 5.

Kentucky-American stated that it plans to staff and operate the water treatment and distribution systems in Bell and Hickman counties under the same standards and practices as existing Kentucky-American jurisdictions and operations will be incorporated into the existing management structure.<sup>28</sup> Kentucky-American also stated it would provide regional and local management oversight to ensure day to day operations would comply with established rules, regulations, and standards set by the Commission, the Kentucky Division of Water, and Kentucky-American.<sup>29</sup> Additionally, to service the Bell and Hickman operations, Kentucky-American would provide customer metering, billing, and customer service through its national customer service center with onsite customer service responses provided by local employees.<sup>30</sup> Kentucky-American further stated that the water treatment and distribution system operations would be performed by trained, licensed, local employees and monitored by a SCADA system, which would be incorporated into the larger Kentucky-American SCADA system that monitors all other state operations.<sup>31</sup> Additionally, the Bell and Hickman operations would be provided from local operations centers.<sup>32</sup>

Kentucky-American proposed to serve Water Service Kentucky's customers in accordance with Kentucky-American's existing water service tariff, except for the rates to be charged.<sup>33</sup> Kentucky-American stated that Water Service Kentucky customers' rates

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<sup>28</sup> Application at 6.

<sup>29</sup> Application at 6.

<sup>30</sup> Application at 6.

<sup>31</sup> Application at 6.

<sup>32</sup> Application at 6.

<sup>33</sup> Application at 6.

would remain the same as set forth in Water Service Kentucky's current tariff on file with the Commission until Kentucky-American's next rate case.<sup>34</sup>

Under the Purchase Agreement, American Water would allocate Kentucky-American the cost of the assets acquired based upon the ratio of Water Service Kentucky's capital structure balance to that of total capital structure balance of the entities through the Purchase Agreement.<sup>35</sup> Water Service Kentucky's total capital structure represents approximately 4.34 percent of the total capital structure balance resulting in Kentucky-American being allocated approximately \$13,671,000 of the total purchase price of \$315 million.<sup>36</sup> Kentucky-American proposed to record the cost of the acquired Water Service Kentucky assets at their book value and would not request any adjustment for ratemaking purposes to reflect the difference between the book value of the assets at the time of the proposed merger and the allocated acquisition cost.<sup>37</sup> Water Service Kentucky stated its net book value was \$7,602,893 as of May 31, 2025.<sup>38</sup>

Kentucky-American stated that it would offer employment to Water Service Kentucky employees consistent with the terms of the agreement.<sup>39</sup> Kentucky-American further committed not to terminate (other than for cause) any Water Service Kentucky

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<sup>34</sup> Application at 6 and Water Service Kentucky's Response to Staff's First Request, Item 10b.

<sup>35</sup> Application 6–7.

<sup>36</sup> Application at 7.

<sup>37</sup> Application at 7.

<sup>38</sup> Water Service Kentucky's response to Staff's Second Request, Item 1.

<sup>39</sup> Application at 7.

employee who accepts an offer of employment for twelve months following the closing of the proposed transaction.<sup>40</sup>

## DISCUSSION AND FINDINGS

### Approval Pursuant to KRS 278.020(6)

Joint Applicants argued that American Water and Kentucky-American have the financial, technical, and managerial expertise to operate and manage the Water Service Kentucky facilities.<sup>41</sup> Joint Applicants noted that American Water serves 3.5 million customer connections in fourteen states through its regulated operating subsidiaries.<sup>42</sup> Joint Applicants further stated that American Water's 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.<sup>43</sup> Joint Applicants stated that Kentucky-American currently serves more than 138,000 customers in Kentucky and provides wholesale water service to ten public water systems.<sup>44</sup> Additionally, Joint Applicants pointed out that Kentucky-American's financial integrity could be found in its annual reports filed with the Commission.<sup>45</sup> Joint Applicants also argued that Kentucky-American has continuously provided water service to areas of Kentucky since 1882 and

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<sup>40</sup> Application at 7.

<sup>41</sup> Application at 9.

<sup>42</sup> Application at 9.

<sup>43</sup> Application at 9.

<sup>44</sup> Application at 9.

<sup>45</sup> Application at 9.



its continued operation of water facilities within the state is evidence of its ability to provide reliable service to residential, commercial, and industrial customers.<sup>46</sup>

Additionally, Joint Applicants argued that American Water, due to being a publicly traded company, can readily access the equity and bond markets to obtain additional capital and Kentucky-American can access lower cost capital through American Water Capital Corp, as an American Water affiliate.<sup>47</sup> Joint Applicants also pointed to Kentucky-American's economies of scale and access to public debt markets that provide lower all-in interest rates than can typically be achieved in the private placement market.<sup>48</sup> Joint Applicants further argued that Kentucky-American's current customers would benefit from the proposed transaction through the acquisition of approximately 6,000 additional customers that permits the cost of service to be spread over a larger customer base and increase Kentucky-American's ability to secure discounts on the purchasing of goods and services, such as treatment chemicals, pipes, and professional services.<sup>49</sup>

First, the Commission notes that both Kentucky-American and Water Service of Kentucky are utilities subject to the Commission's jurisdiction. Having reviewed the record and being otherwise sufficiently advised, the Commission finds that, based on the evidence provided in the application, Kentucky-American has the financial, technical, and managerial abilities to provide reasonable service.

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<sup>46</sup> Application at 9.

<sup>47</sup> Application at 10.

<sup>48</sup> Kentucky American Water Company's Response to Staff's First Request, Item 1.

<sup>49</sup> Application at 11.

Approval Pursuant to KRS 278.020(7)

Joint Applicants argued that 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 Kentucky's customers; generate operational benefits to Water Service Kentucky customers; and provide additional benefits over time to all Kentucky-American customers.<sup>50</sup> Joint Applicants also argued that American Water and Kentucky-American are much better positioned to make significant, long-term investments required to provide quality water services to Water Service Kentucky's service area.<sup>51</sup> Lastly, Joint Applicants argued that the proposed transaction would provide current Water Service Kentucky employees with access to additional experience and resources and that it would allow Water Service Kentucky'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.<sup>52</sup>

For the reasons discussed herein, the Commission finds that the proposed transaction is in accordance with law, for a proper purpose, and will be consistent with the public interest. The Commission finds that the proposed transaction is in accordance with the law as the proposed transaction will only be consummated once all requisite regulatory approvals are obtained. The purpose of the proposed merger is for Kentucky-

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<sup>50</sup> Application at 10.

<sup>51</sup> Application at 10.

<sup>52</sup> Application at 10.

American to assume responsibility for the operations of Water Service Kentucky's service area and facilities, in addition to making any necessary improvements to ensure that Water Service Kentucky's customers will continue to receive safe, reliable drinking water. The proposed merger should allow for greater access to capital needed to support investments into the facilities and systems that currently serve Water Service Kentucky's customers. Additionally, current Water Service Kentucky employees, who accept an offer of employment, are guaranteed employment for a year and would gain additional experience and access to additional resources. The proposed merger would also benefit current Kentucky-American customers by the adding approximately 6,000 customers, which allows the cost of service to be spread over a larger customer base. For all the reasons stated above, the Commission finds, to the extent lawful,<sup>53</sup> the merger of Water Service Kentucky into Kentucky-American and Kentucky-American's assumption of all Water Service Kentucky's assets, rights and obligations, including its water systems in Bell and Hickman counties, Kentucky is approved.

The Commission also finds that Kentucky-American should monitor the water loss in the Water Service Kentucky service territory monthly and file the reports in its next application for a general rate adjustment. In addition to the monthly reports, documentation of any investments made in Hickman and Bell, counties should be kept and filed with the water loss records in the next application for a general rate adjustment. Additionally, the Commission finds that Kentucky-American should file the actual net book

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<sup>53</sup> The Commission does not approve the transaction to the extent Nexus and American Water are not authorized to transact business in Kentucky.

value of Water Service Kentucky's assets that are transferred to Kentucky-American within 30 days of the transaction closure.

IT IS THEREFORE ORDERED that:

1. Joint Applicants' application for the merger of Water Service Kentucky into Kentucky-American and Kentucky-American's assumption of all Water Service Kentucky's assets, rights and obligations, including its water systems in Bell and Hickman counties, Kentucky, is approved.

2. Kentucky-American shall monitor the water loss in the Water Service Kentucky service territory as required and file the monthly water loss reports in the next application pursuant to 807 KAR 5:001, Section 16.

3. Kentucky-American shall keep a separate record of any investments in the Water Service Kentucky service territory and file it with the monthly water loss reports in the next application pursuant to 807 KAR 5:001, Section 16.

4. The Joint Applicants shall notify the Commission, in writing, within seven days of the transaction being completed. If it has not been completed within six months of the date of this Order, the Joint Applicants shall provide a written status report to the Commission.

5. Within 30 days of consummation of the acquisition, Kentucky-American shall file the net book value of the acquired assets.

6. Any material revision to the proposed transaction shall require approval by the Commission in order for the amendment to be effective.

7. Within ten days of receipt of regulatory and judicial decisions on pending applications related to this transaction, Joint Applicants shall file notice of all regulatory and judicial approvals that are pending as of the date of this Order.

8. Within 20 days of the closing of the acquisition, Kentucky-American shall file the journal entries it proposes to record the acquisition. The acquisition shall be recorded in accordance with the Uniform System of Accounts.

9. Within 20 days of the closing of the acquisition, Kentucky-American shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates, charges, and modifications approved in this order and reflecting their effective date and that they were authorized by this Order.


10. Any document filed pursuant to ordering paragraphs 4, 5, 7, and 8 shall reference this case number and shall be retained in the post-case correspondence file.

11. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



Case No. 2025-00171

\*David Pippen  
Kentucky-American Water Company  
2300 Richmond Road  
Lexington, KY 40502

\*M. Todd Osterloh  
Sturgill, Turner, Barker & Moloney, PLLC  
333 West Vine Street  
Suite 1400  
Lexington, KY 40507

\*Kentucky-American Water Company  
2300 Richmond Road  
Lexington, KY 40502

\*Water Service Corporation of Kentucky  
c/o Water Service Corp  
500 West Monroe Street, Suite 3600  
Chicago, IL 60661-3779

\*Lindsey Ingram  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507-1801

\*Mary Ellen Wimberly  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507-1801

\*Monica Braun  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KY 40507-1801

\*Rebecca C. Price  
Sturgill, Turner, Barker & Moloney  
155 East Main Street  
Lexington, KY 40507