

FILE

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
American Water Company for Approval of)
Issuances of Common Stock to its Parent) Case No. 06-1258-WS-AIS
Company for up to \$9,000,000 and of)
Secured or Unsecured Long-Term Debt)
for up to \$31 million.)

SUPPLEMENTAL FINDING AND ORDER

The Commission finds:

- (1) On October 13, 2006, Applicant filed an Application seeking Commission authorization to: (a) issue its additional common stock, (b) issue certain long-term securities, and, (c) extend the maturity date of two series of its long-term debt (the "Old Debt") from November 6, 2006, through June 30, 2007, as described in the Application and Exhibits.
- (2) By Commission Order dated November 1, 2006, Applicant was authorized to extend the maturity date for the Old Debt through June 30, 2007. The Commission also deferred action on the issuance of the common stock and the long-term securities until the Staff review of Applicant's financing program was completed.
- (3) On January 4, 2007, Applicant filed an amendment to its original application (hereinafter called, the "Amended Application"), seeking Commission authority to: (a) issue two series of long-term debt of \$4 million and \$18.8 million (the "Replacement Debt"), (b) issue one series of a long-term note of \$5.3 million (the "Replacement Note"), (c) issue additional long-term debt of \$2.8 million (the "New Debt") and (d) sell additional common stock (the "Stock") for up to \$9 million, as described in the Amended Application.
- (4) The Replacement Debt will have maturities of seven and 12 years with an interest rate of about 5.4% and 5.6%, respectively. The Replacement Note will have a maturity of seven years and will be issued at interest rate of about 5.4%. The New Debt will have a maturity not exceeding 35 years and will bear an interest rate equal to the lower of the most recent available yield for a U.S. Treasury Bond of the same term of the New Debt, as published by The Wall

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Street Journal or available through Bloomberg L.P. plus 200 basis points, as more fully described in the Application. The Stock will be issued to Applicant's parent Company American Water Works Company, Inc. The Replacement Debt, the Replacement Note, the New Debt and the Stock will be hereinafter collectively called the "Securities".

- (5) Applicant proposes to use the proceeds from the Securities to refinance a portion of its outstanding debt securities; to reimburse Applicant's treasury for monies expended for its construction, completion, extension and improvement of its property; for the discharge and lawful refunding of its short-term debt obligations; and for other corporate purposes, all pursuant to Section 4905.40, Revised Code.
- (6) The proposed guidelines or parameters set forth in the Amended Application are intended to facilitate the issuance of the Securities on the best terms possible and at lowest cost. The authorization of the issuance of the Securities in no way relieves the Applicant of its responsibility to negotiate and obtain the best terms available.
- (7) The aggregate amount of the Securities, the terms thereof, and the probable cost to Applicant, within the parameters set forth in the Amended Application, do not appear to be unjust or unreasonable.
- (8) The effect on Applicant's revenue requirements resulting from the issuance of the Securities will be considered in future rate proceedings in which all factors affecting rates will be taken into account according to law.
- (9) Based on the information contained in the Application and Exhibits thereto, the purposes to which the proceeds from the Securities shall be applied appear to be reasonably required by the Applicant to meet its present and prospective obligations to provide utility service, and the Commission is satisfied that consent and authority should be granted.
- (10) In all other respects, the Commission Order of November 1, 2006, should remain in full force and effect.

It is, therefore,

ORDERED, That the Commission Order of November 1, 2006, is hereby amended and modified to facilitate Applicant to: (a) issue two series of Replacement Debt of \$4 million and \$18.8 million, (b) issue one series of Replacement Note of \$5.3 million, (c) issue New Debt of \$2.8 million, and (d) sell additional Stock of up to \$9 million to its parent company, American Water Works Company, Inc., all pursuant to the terms and conditions as set forth in the Amended Application. It is, further,

ORDERED, That Applicant shall apply the proceeds from the Securities for the purposes set forth in this Supplemental Order and otherwise pursuant to the provisions of Section 4905.40, Revised Code. It is, further,

ORDERED, That after the Securities authorized by this Order are issued, Applicant shall report to this Commission, as soon as practicable, the terms and full particulars. It is, further,

ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation as to the Securities, the interest or the dividends thereon, on the part of the State of Ohio. It is, further,

ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construct project of the Applicant. It is, further,

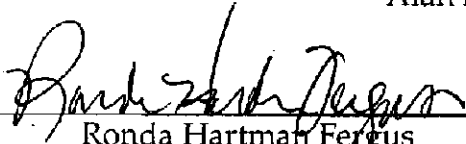
ORDERED, That nothing in this Order shall be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule or regulation. It is, further,

ORDERED, That in all other respects, the Commission Order dated November 1, 2006, shall remain in full force and effect. It is, further,

ORDERED, That a copy of this Supplemental Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Alan R. Schriber, Chairman

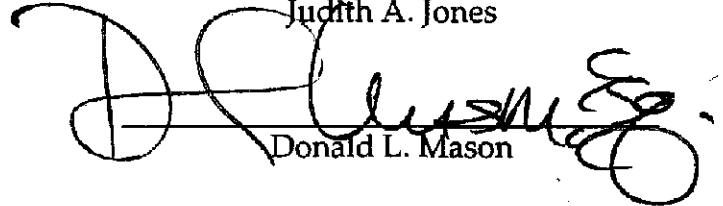


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Entered in the Journal

JAN 24 2007



Renee J. Jenkins

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Secretary