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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Application of Ohio American)
Water Company for Approval of Issuances Common)
Stock to its Parent Company for up to \$9,000,000 and)
of Secured or Unsecured Long-Term Debt for up to)
\$31,000,000.)

Case No. 06-1258-WS-AIS

**OHIO AMERICAN WATER COMPANY'S
FINAL REPORT ON FINANCING**

On October 13, 2006, Ohio American Water Company ("Ohio American" or "Company") filed an application with the Public Utilities Commission of Ohio ("Commission") requesting approval to (a) issue 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 to June 30, 2007, as described in the Application and Exhibits. On November 1, 2006, the Commission issued a Finding and Order authorizing American Water to extend the maturity for the Old Debt through June 30, 2007.

On January 4, 2007, the Company filed an amendment to its original application seeking Commission authority to (a) issue long-term debt totaling \$22.8 million (the "Replacement Debt") to replace two maturing series of long-term debt, (b) issue long-term debt (the "Replacement Note") to replace a \$5.3 million note that was maturing, (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. The Commission issued a Supplemental Finding and Order on January 24, 2007 authorizing the Company to (a) issue two

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series of Replacement Debt of \$4 million and \$18.8 million, (b) issue one series of Replacement Notes 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. As directed by the Commission's January 24, 2007 Supplemental Order, Ohio American submits its final report on financing.

On January 31, 2007, Ohio American issued to American Water Capital Corporation (a) a 7-year note with a principal amount of \$12,300,000, an interest rate of 5.39% and no call provision and (b) a 12-year note with a principal amount of \$16,700,000, an interest rate of 5.62% and no call provision. The total debt issuance costs associated with the 7-year note were \$44,066, of which 30 basis points, or \$36,900, were underwriting fees and the rest were legal and miscellaneous issuances costs. The total debt issuance costs associated with the 12-year note were \$59,829, of which 30 basis points, or \$50,100, were underwriting fees and the rest were legal and miscellaneous issuances costs.

On February 15, 2007, Ohio American issued to American Water Capital Corporation a 15-year note with a principal amount of \$2,000,000, an interest rate of 5.77% and no call provision. The total debt issuance costs associated with the 15-year note were \$7,165, of which 30 basis points, or \$6,000, were underwriting fees and the rest were legal and miscellaneous issuances costs.

On February 22, 2007, Ohio American received an \$8.5 million equity infusion in the form of additional paid-in capital from its parent, American Water Works Company, Inc. Ohio American did not issue any new Stock as part of this transaction.

Interest on the notes will be paid semiannually on June 21st and December 21st of each year. The debt was issued to (a) replace a \$4 million note which matured, (b) replace an \$18.8

million note which matured, (c) replace a \$5.3 million note at a lower interest rate, and (d) refund \$2.9 million of the Company's short-term debt obligations. The interest rate on the \$5.3 million note that was replaced was 5.90%.

At January 31, 2007, the implied yield for the 7-year US Treasury Note as published in *The Wall Street Journal* was 4.84%. On the same date, the implied yield reported by Bloomberg Online for the 7-year US Treasury Note was 4.81%. Adding 200 basis points to the lower of those rates produced an interest rate of 6.81%. Thus, the 5.39% achieved rate on the seven-year note meets the commitment made by Ohio American.

At January 31, 2007, the implied yield for the 12-year US Treasury Note as published in *The Wall Street Journal* was 4.86%. On the same date, the implied yield reported by Bloomberg Online for the 12-year US Treasury Note was 4.82%. Adding 200 basis points to the lower of those rates produced an interest rate of 6.82%. Thus, the 5.62% achieved rate on the 12-year note meets the commitment made by Ohio American.

At February 15, 2007, the implied yield for the 15-year US Treasury Note as published in *The Wall Street Journal* was 4.72%. On the same date, the implied yield reported by Bloomberg Online for the 15-year US Treasury Note was 4.73%. Adding 200 basis points to the lower of those rates produced an interest rate of 6.72%. Thus, the 5.77% achieved rate on the 15-year note meets the commitment made by Ohio American.

With the submission of this report, Ohio American believes that it has fully complied and with the Commission orders of November 1, 2006 and January 24, 2007.

Respectfully submitted on behalf of
OHIO AMERICAN WATER COMPANY

A handwritten signature in cursive script, reading "Sally W. Bloomfield", is written over a horizontal line.

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