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FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Ohio American Water Company for)
Approval of Secured or Unsecured) Case No. 08-544-WS-AIS
Long-Term Debt for up to \$7,500,000)

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APPLICATION

1. Applicant: Ohio American Water Company ("Ohio American"), an Ohio corporation, is a public utility and a water works company and a sewage disposal system company as those terms are defined in Ohio Revised Code Sections ("R.C.") 4905.02 and 4905.03(A)(8) and (A)(14), respectively. Ohio American is thus subject to the jurisdiction of the Public Utilities Commission of Ohio ("Commission") and makes this Application pursuant to R.C. 4905.40(A) and 4905.41.

2. Principal Place of Business: Ohio American's corporate office is located in Marion, Ohio.

3. Service Area: Ohio American's service area encompasses its seven districts – Ashtabula, Franklin County, Lawrence County, Mansfield, Marion (includes portions of unincorporated areas in Richland and Morrow Counties, the Pike County service area, Lake White, and Preble County service area), Portage County and Tiffin in Seneca County. Ohio American's current rates were approved in Case No. 06-443-WS-AIR on March 7, 2007 and it currently has a rate application pending in Case No. 07-1122-WS-AIR.

4. Debt Financing: Ohio American seeks Commission approval of one or more long-term financing issuances of up to \$7,500,000 (the "Debt Financing") to be completed on or

before July 1, 2009. The Debt Financing would be used for the construction, replacement, extension and improvement of its property, for the discharge and lawful refunding of its short-term debt obligations, and other purposes permitted by R.C. 4905.40.

On March 15, 2008, Ohio American applied to the Ohio EPA for loans from the Water Supply Revolving Credit Account and the Disadvantaged Community Loan Program for the following: the Harprest #7 system* plant upgrades (approximately \$802,000); the Imperial #2 system* main upgrade and relocations (approximately \$417,500); Ashtabula system main upgrades, which includes replacing approximately 6,800 feet of 10-inch pipe and 1,200 feet of 6-inch pipe with 8,000 feet of 12-inch main and relocating from under a road to a tree lawn (approximately \$950,000); and a Blacklick system (Franklin County) replacement of existing iron treatment aeralaters with two 500 gallons per minute iron pressure filters and construction of a new clearwell (approximately \$1,543,000). To the extent that the Ohio EPA awards Ohio American any, all, or part of these loans on terms that are at least as favorable as the debt to be secured through American Water Capital Corp. ("AWCC") (see below), the amount to be borrowed from AWCC would be reduced dollar for dollar. In no event would the total borrowings exceed \$7,500,000.

5. AWCC as Lender: Ohio American proposes to issue the long-term debt through an affiliate, AWCC. AWCC is a wholly-owned subsidiary of American Water Works, Inc. ("American") dedicated to providing financial services to American's water and wastewater service distribution company subsidiaries by pooling the financing requirements of such subsidiaries. The manner in which the financing will be accomplished with AWCC will be

* Part of the Mansfield District, located in Madison Township, in Richland County, Ohio.

identical to the way in which financing was proposed and approved by the Commission in Case Nos. 00-1881-WW-AIS, 04-1261-WW-AIS and 06-1258-WS-AIS. In those cases Ohio American entered into financial service agreements with AWCC, that arranges borrowing commitments and programs to provide the funds necessary to meet Ohio American's requirements and those of its affiliate water distribution companies. All long-term debt incurred by AWCC and the corresponding long-term indebtedness of Ohio American is match-funded. That is, AWCC borrows long-term funds only to meet the specific borrowing needs of Ohio American and the other affiliate participants. The proceeds and the terms of every such borrowing are passed through to Ohio American on the same terms as AWCC obtains from its lenders.

A copy of the Financial Services Agreement is attached as Exhibit C. AWCC will obtain the funds necessary to make these loans through the issuance of its own securities (the "AWCC Securities"). The new Ohio American notes will have terms, including the interest rate or rates, maturity date or dates, and redemption provisions that mirror the AWCC Securities. The exact terms of the AWCC Securities will not be known until the time of issuance.

6. Terms of the Loans: In the arrangement between AWCC and Ohio American, the proceeds and the terms of AWCC's borrowing will be passed through to Ohio American on the same terms as AWCC obtains from its lenders. The AWCC Securities may be issued with more than one maturity, but will have a final term to maturity not to exceed thirty (30) years from the date of issuance. The AWCC Securities of each maturity will bear a market rate or rates of interest at the time of issuance (which may be a variable rate set pursuant to a formula or index), with interest payable periodically (e.g., monthly, quarterly or semi-annually). In no case will the interest rate for fixed-rate AWCC Securities, determined at the time of issuance or commitment

therefore, exceed a rate equal to the most recently available rate (as published in *The Wall Street Journal* or available through Bloomberg L.P.) for U.S. Treasury securities of comparable maturity plus 350 basis points. There will be no prepayment penalty or added interest to Ohio American as a result of early payment by Ohio American of new notes.

7. Note about American Water Works Company: Though not a transaction over which the Commission has jurisdiction, in the interest of full disclosure of Ohio American's financing program, it should be noted that American Water Works Company, Ohio American's parent, plans to transfer up to \$3,000,000 as paid-in-capital to Ohio American during July 2008.

8. In accordance with R.C. Section 4905.41, Ohio American submits the following exhibits in support of this Application:

Exhibit A - Ohio American's balance sheet and income statement as of March 31, 2008.

Exhibit B - Ohio American's actual capital structure as of March 31, 2008 and pro-forma capital structure for December 31, 2008. The pro-forma capital structure reflects all changes expected to occur to Ohio American's capitalization during 2008, including the financing proposed in this Application. Exhibit B also includes the projected changes in financial position for calendar year 2008.

Exhibit C - A copy of the June 15, 2000 Ohio American Financial Services Agreement with AWCC.

9. Ohio American states that approval of this Application is necessary for Ohio American to meet its present and prospective obligation to provide for required utility service; that approval is necessary, just and reasonable; and that the effect of approving this Application on present and prospective revenue requirements is shown on Exhibit B.

WHEREFORE, Ohio American prays that the Commission approve this Application and exhibits relative to issuance by July 1, 2009 of up to \$7,500,000 in secured or unsecured long-term debt and grant further relief as Ohio American may be entitled.

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.

Sally W. Bloomfield
Thomas J. O'Brien
BRICKER & ECKLER LLP
100 South Third Street
Columbus, Ohio 43215
(614) 227-2368; 227-2335
(614) 227-2390 (facsimile)

OHIO-AMERICAN WATER COMPANY, INC.
Balance Sheet
March 31, 2008

Utility Plant - at original cost		127,292,061
Construction Work in Progress		4,088,912
Accumulated Depreciation		(43,187,579)
Utility Plant Acquisition Adjustments	13,648,840	
Utility Plant Acquisition Adjustments Deferred Taxes		-
Net Utility Plant Acquisition Adjustments	<u>13,648,840</u>	<u>13,648,840</u>
Net Utility Plant		101,842,234
Non Utility Property		-
Other Investments		20,411
Cash and cash equivalents		101,011
Customer Accounts Receivable		2,301,938
Allowance for Uncollectible Accounts		(271,675)
Unbilled Revenues		2,470,547
FIT refund due from assoc. companies		4,112,463
Miscellaneous Receivables		42,439
Materials and Supplies - at average cost		342,030
Other		<u>515,228</u>
Total Current Assets		9,613,981
Debt and Preferred Stock Expense		210,902
Expense of Rate Proceedings		589,022
Preliminary Survey & Investigation Charges		-
Regulatory Asset - Income Taxes Recoverable Thru Rates		1,334,672
Other		<u>2,707,880</u>
Total Deferred Debits		4,842,476
Total Assets		<u>116,319,102</u>
Common Stock		26,165,234
Paid-In Capital		9,039,657
Retained Earnings		<u>(2,333,125)</u>
Total Common Equity		32,871,766
Preferred Stock	11,630 Shares 6.00% Series I	1,163,000
Long Term Debt		<u>44,700,000</u>
Total Preferred and Long-Term Debt		45,863,000
Total Capitalization		78,734,766
Bank Debt		2,378,161
Current Portion of Long-Term Debt		3,000,000
Current Portion of Preferred Stock		9,000
Accounts Payable		1,206,588
Taxes Accrued		5,450,141
Interest Accrued		847,459
Customer Deposits		
Dividends Declared		
Other		<u>1,727,097</u>
Total Current Liabilities		14,618,446
Customer Advances for Construction		8,007,237
Deferred Income Taxes	9,972,064	
Deferred Income Taxes - Acquisition Adjustment		-
Net Deferred Income Taxes	<u>9,972,064</u>	<u>9,972,064</u>
Deferred Investment Tax Credits		39,212
Regulatory Liability - Income Taxes Recoverable Thru Rates		2,992,054
Other		<u>1,955,325</u>
Total Deferred Credits		22,965,892
Total Capital and Liabilities		<u>116,319,104</u>

OHIO-AMERICAN WATER COMPANY, INC.
Statement of Income
Twelve Months Ended March 31, 2008

Operating Revenues	32,540,486
Operating Expenses:	
Operations and Maintenance	20,813,131
Depreciation and Amortization	3,508,040
Taxes on Operating Income:	
General	8,320,682
State Income	(38,262)
Federal Income	(269,913)
Total Operating Expenses	<u>32,333,678</u>
Utility Operating Income	206,808
Other Income:	
Allowance for Other Funds Used During Construction	107,077
Miscellaneous Other Income	22,619
Gain (Loss) on Sale of Property	-
Total Other Income	<u>129,696</u>
Total Income	<u>336,504</u>
Other Deductions:	
Miscellaneous Amortization	3,140
Miscellaneous Other Deductions	31,595
Taxes on Other Income and Deductions:	
General	-
State Income	-
Federal Income	(5,823)
Total Other Deductions	<u>28,912</u>
Income Before Interest Charges	<u>307,592</u>
Interest Charges	
Interest on Long-Term Debt	3,009,294
Amortization of Debt Expense	28,645
Interest on Bank Debt	73,106
Other Interest	1
Allowance for Borrowed Funds Used During Construction	(54,723)
Total Interest Charges	<u>3,057,323</u>
Net Income	(2,749,731)
Dividends to Preferred Stock	-
Net Income to Common Stock	<u>(2,749,731)</u>

OHIO-AMERICAN WATER COMPANY

Capital Structure
Actual and Pro-Forma Giving Effect to the Proposed Financing

Class of Capital	Actual 3/31/2008		Pro-Forma 12/31/2008	
	Amount	Percent of Total	Amount	Percent of Total
Debt	\$ 47,700,000	58.36%	\$ 52,200,000	58.35%
Preferred Stock	1,163,000	1.42%	1,154,000	1.29%
Common Equity	32,871,766	40.22%	36,103,325	40.36%
Total Capital	<u>\$ 81,734,766</u>	<u>100.00%</u>	<u>\$ 89,457,325</u>	<u>100.00%</u>

OHIO-AMERICAN WATER COMPANY

Change in Financial Position
Giving Effect to the Proposed Financing

Data: Projected Twelve Months Ending 12/31/2008		Projected 2008
Source of Funds:		
Net Income	\$	(1,726,334)
Depreciation and Amortization		3,418,284
Deferred Taxes		8,205,425
Sale of Securities		
Other		
Total Source of Funds from Operations	\$	<u>9,897,375</u>
Application of Funds:		
Maturities and Sinking Funds	\$	9,000
Cash Dividends		-
Utility Plant Construction		14,731,085
Other Applications		
Total Application of Funds	\$	<u>14,740,085</u>
Net Increase (Decrease) in Working Capital	\$	<u>(4,842,711)</u>

EXECUTION COPY

FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of June 15, 2000, by and between Ohio-American Water Company. (the "Company") and American Water Capital Corp. ("AWCC").

BACKGROUND

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that may enter into agreement with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

AGREEMENT.

1. Services. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree, including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to

all the provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory notes in the form of Exhibit A or Exhibit B attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of June 15, 2000, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.

9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any Promissory Notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a Company pursuant to Appendix I.

10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST:

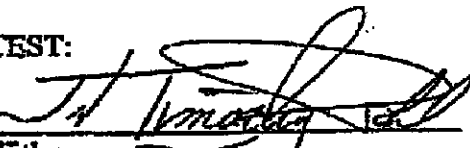
OHIO-AMERICAN WATER COMPANY

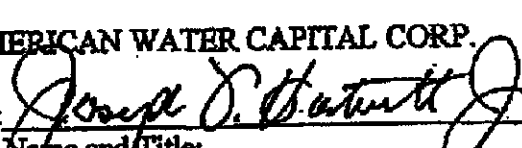
By: 
Stephen B. Givens, Secretary

By: 
John E. Eckart, President

ATTEST:

AMERICAN WATER CAPITAL CORP.

By: 
Title:
W. Timothy Pohl
Vice President and Secretary

By: 
Name and Title:
Joseph F. Hartnett, Jr.
Vice President and Treasurer

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. Short-Term Loans. AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. Long-Term Borrowings. AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. Cash Management. Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached as Exhibit A to the Agreement as evidence of such investment.

EXHIBIT A
PROMISSORY NOTE
FOR SHORT-TERM LOANS

§ _____, 2000

FOR VALUE RECEIVED, Ohio-American Water Company, an Ohio corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of dollars (\$ _____) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of

Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day
and year first written above.

OHIO-AMERICAN WATER COMPANY

By: _____
Name and Title:

EXHIBIT B
PROMISSORY NOTE
FOR LONG-TERM BORROWINGS

\$ _____, 2000

FOR VALUE RECEIVED, Ohio-American Water Company, an Ohio corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at _____ or such other place as Lender may from time to time designate, the principal sum of dollars (\$ _____), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder.

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day
and year first written above.

OHIO-AMERICAN WATER COMPANY

By: _____
Name and Title:

BEFORE

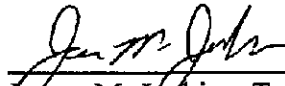
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Ohio American Water Company for)
Approval of Secured or Unsecured) Case No. 08- 544 -WS-AIS
Long-Term Debt for up to \$7,500,000)

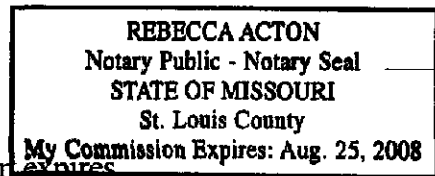
STATE OF MISSOURI)
) SS:
COUNTY OF ST. LOUIS)

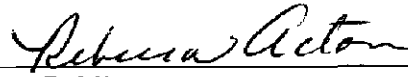
VERIFICATION

I, James M. Jenkins, Treasurer of Ohio American Water Company having been duly cautioned, affirm that the information contained in this Application and exhibits, is true and correct to the best of my knowledge and belief.


James M. Jenkins, Treasurer
Ohio American Water Company

Sworn to and subscribed before me this 21 day of April, 2008.




Notary Public

My commission expires _____.

BEFORE

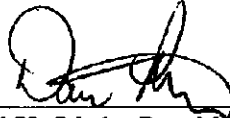
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Ohio American Water Company for)
Approval of Secured or Unsecured) Case No. 08- 544 -WS-AIS
Long-Term Debt for up to \$7,500,000)

STATE OF OHIO)
) SS:
COUNTY OF MARION)

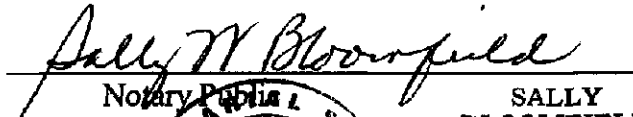
VERIFICATION

I, David K. Little, President of Ohio American Water Company having been duly cautioned, affirm that the information contained in this Application and exhibits, is true and correct to the best of my knowledge and belief.



David K. Little, President
Ohio American Water Company

Sworn to and subscribed before me this 21 day of April, 2008.



Notary Public

My commission expires lifetime



SALLY
BLOOMFIELD
Attorney At Law
NOTARY PUBLIC
STATE OF OHIO
My Commission
Has No Exp. Date
Section 147.03 O.R.C.