

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

FINDING AND ORDER

The Commission finds:

- (1) Applicant, Ohio American Water Company, an Ohio corporation, is a public utility and a water works company and a sewage disposal system company as defined in Sections 4905.02, and 4905.03(A)(8) and (A)(14) Revised Code, and is subject to the jurisdiction of this Commission.
- (2) This Application, as supplemented (hereinafter, the "Application"), is filed under the provisions of Sections 4905.40 and 4905.41, Revised Code.
- (3) Applicant is requesting Commission authorization for one or more long-term financing issuances (the "New Debt") in an aggregate principal amount of up to \$7.5 million, which will be comprised of loans from the Ohio Environmental Protection Agency (the "Ohio EPA") and from Applicant's affiliate, American Water Capital Corp. ("AWCC"), pursuant to the terms and conditions as set forth in the Application and Exhibits. The aggregate amount of the New Debt will not exceed \$7.5 million.
- (4) As part of the issuance of the New Debt, Applicant has applied to the Ohio EPA for loans estimated to be about \$3.7 million from the Water Supply Revolving Credit Account and the Disadvantaged Community Loan Program (hereinafter collectively called the "Ohio EPA Loan Programs").
- (5) The Ohio EPA loans will have terms not to exceed 20 years and will have interest rates consistent with the terms and conditions as set forth in the Application and Exhibits.
- (6) AWCC is a wholly-owned subsidiary of American Water Works, Inc. ("American Water"). AWCC provides financial services to American Water's water and wastewater service distribution company

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subsidiaries. The terms of AWCC's borrowing will be passed through to Applicant on the same terms as AWCC obtains loans from its lenders.

- (7) The AWCC loans will have terms not to exceed 30 years and will bear either fixed or variable interest rates, consistent with the terms and conditions as set forth in the Application and Exhibits.
- (8) The proceeds from the New Debt will be used for the construction, replacement, extension and improvement of Applicant's facilities, 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.
- (9) The aggregate amount of the New Debt, the terms thereof, and the probable cost to Applicant, as set forth in the Application and Exhibits, do not appear to be unjust or unreasonable.
- (10) The effect on Applicant's revenue requirements resulting from the New Debt will be considered in rate proceedings in which all factors affecting rates will be taken into account according to law.
- (11) By its Order dated March 7, 2007, in Case No. 06-433-WS-AIR, this Commission approved a stipulation (the "Stipulation") between Applicant, the Staff, the Office of the Ohio Consumers' Counsel ("OCC") and Dragoo & Associates, Inc. aka Dragoo Management, Inc. The Stipulation, among other things, allowed the Applicant to increase its water and wastewater rates and required the Applicant to make certain service quality improvements. The Stipulation also included provisions for the Staff, OCC, the Ohio EPA and the Applicant to evaluate the cost efficiency of loans from the Ohio EPA.

Applicant's proposal in this proceeding to issue a portion of the New Debt through the Ohio EPA Loan Programs is consistent with the provisions of the Stipulation as approved by this Commission in Case No. 06-433-WS-AIR.

- (12) Applicant states that the loan amounts are preliminary estimates and that the Ohio EPA will fund the actual costs even in an amount that could exceed about \$4 million in the aggregate. Applicant further states that, to the extent the Ohio EPA awards any, all, or part of these loans on terms that are at least as favorable as the loans to be secured through AWCC, the amount to be borrowed from AWCC would be

reduced by the amount of the Ohio EPA Loans. In no event, will the total borrowings exceed \$7.5 million.

The Commission authorization in this case is intended to facilitate Applicant's issuance of the New Debt on the best terms possible and at lowest cost. The authorization to issue the New Debt in no way relieves the Applicant of its responsibility to obtain loans with the best terms available.

- (13) Based on information contained in the Application and Exhibits thereto, Applicant's proposal to issue the New Debt appears 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, subject to the caveats as mentioned in Finding 12.

It is, therefore,

ORDERED, That Applicant, Ohio American Water Company, is hereby authorized to enter into one or more long-term financing issuances in an aggregate principal amount of up to \$7.5 million, comprised of loans from the Ohio Environmental Protection Agency and from American Water Capital Corp., pursuant to the terms and conditions as set forth in the Application and Exhibits, subject to the conditions as mentioned in Finding 12. It is, further,

ORDERED, That, to the extent the Ohio EPA awards any, all, or part of the loans to Applicant on terms that are at least as favorable as the loans to be secured through AWCC, the amount to be borrowed from AWCC by Applicant shall be reduced by the amount of the Ohio EPA Loans. It is, further,

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

ORDERED, That Applicant shall file a written report with this Commission with the terms and full particulars of the New Debt, as promptly as possible. It is, further,

ORDERED, That the authorization granted by this Order shall not be construed as limiting the Commission's determination of the appropriateness of the New Debt for future rate making treatment. It is, further,

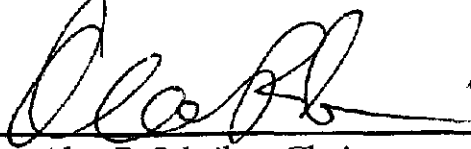
ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation as to the New Debt, or the interest thereon, on the part of the State of Ohio. It is, further,

ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction 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 a copy of this Order be served upon all parties of record.

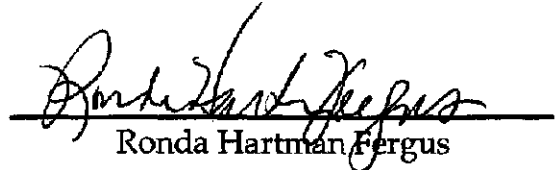
THE PUBLIC UTILITIES COMMISSION OF OHIO



Alan R. Schriber, Chairman



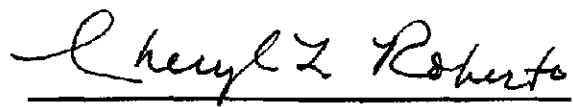
Paul A. Centolella



Ronda Hartman Fergus



Valerie A. Lemmie



Cheryl L. Roberto

JH:djb

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Renee J. Jenkins
Secretary