

**BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water)
Company for Authority to Issue up to) Case No. _____
\$180,000,000 of Long-Term,)
Unsecured Debt)

APPLICATION

COMES NOW Missouri-American Water Company (hereinafter "Applicant") pursuant to §393.200 RSMo. 2000 and 4 CSR 240-2.060, 2.080, and 3.615, and for its Application to the Missouri Public Service Commission (hereinafter "Commission"), states that:

The Applicant

1. Applicant is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. It is a wholly-owned subsidiary of American Water Works Company, Inc., ("AWW"). Applicant is qualified to conduct business as a public utility in the State of Missouri subject to the jurisdiction of the Commission as provided by law. A copy of Applicant's Certificate of Corporate Good Standing issued by the Missouri Secretary of State's Office addressing Applicant's corporate status was filed with the Commission in Case No. WF-2002-1096 and is incorporated herein by reference in accordance with Commission Rule 4 CSR 240-2.060(1)(G).

2. Applicant is engaged in the business of furnishing water service to approximately 463,700 accounts and wastewater services to approximately 12,400 accounts serving a total population of approximately 1,575,000 Missourians. These services are provided in approximately 160 communities located in 27 counties in the State of Missouri.

3. Applicant has no pending actions or final unsatisfied judgments or decisions against it from a state or federal agency or court that involves customer service or rates, which action, judgment or decision has occurred within three (3) years of date of this Application.

4. Applicant has no annual reports or assessment fees overdue or unpaid.

5. Communications in regard to this Application should be addressed to the undersigned counsel and:

Brian LaGrand
Missouri-American Water Company
727 Craig Road
St. Louis, Missouri 63141
(314) 996-2390
brian.lagrand@amwater.com

Capitalization of Applicant

6. Applicant has outstanding an Indenture of Mortgage dated May 1, 1968, and supplements thereto dated March 1, 1971; October 1, 1975; October 1, 1980; January 1, 1984; September 1, 1986; February 1, 1990; January 1, 1993; March 1, 1994; January 1, 1995; March 1, 1995; July 1, 1996; June 1, 1997; February 1, 1998; November 1, 1998; March 1, 2000; December 31, 2001; April 1, 2002; and December 1, 2006 by and between Applicant and U.S. Bank National Association (successor to Wachovia Bank, National Association, formerly First Union National Bank, formerly the Fidelity Bank). Applicant's original Indenture of Mortgage was approved by this Commission in an Order dated June 14, 1968, in Case No. 16,452. As of December 31, 2016; there was due under said Indenture of Mortgage \$23,500,000 aggregate principal amount of General Mortgage Bonds. Said

Indenture of Mortgage, as supplemented and amended, constitutes a first mortgage lien against the property of Applicant described in the Indenture of Mortgage.

7. Applicant had outstanding \$545,075,000 of long-term senior unsecured indebtedness with American Water Capital Corp. and \$1,000,000 of redeemable preferred stock as of December 31, 2016.

8. Applicant had \$20,937,510 in short-term unsecured indebtedness as of December 31, 2016.

9. Applicant's authorized capital stock consists of 100,000 shares of 9.18% cumulative preferential stock, \$100 par value, 10,000 shares of which, at December 31, 2016, are issued and outstanding under authority of this Commission; and 40,000,000 shares of common stock, without par value, 27,744,421 shares of which are issued and outstanding under authority of this Commission. Applicant's Restated Articles of Incorporation contain sufficient authorized shares of common stock so as to allow the issuance of approximately 12,250,000 shares of common stock, for an aggregate purchase price of \$100,000,000.

10. None of the outstanding stock, stock certificates or bonds, have been issued or used in capitalizing the right to be a corporation or any franchise or permit, or the right to run, operate or enjoy such franchise or permit, or any contract for consolidation or the lease, or issued against or as a lien upon any contract for consolidation or merger.

The Relief Requested From the Commission

11. Applicant seeks the Commission's approval to engage in a variety of unsecured debt financings hereinafter described during an approximately three (3) year period following the effective date of the order approving Applicant's financing plan in this

case. Thus, Applicant requests that the Commission approval in this case, if granted, extend to September 30, 2020.

Applicant's Financing Plan

Taxable, Unsecured Debt Financing Through American Water Capital Corp.

12. Pursuant to the terms of a Financial Services Agreement ("Agreement") with American Water Capital Corp. ("AWCC"), Applicant proposes to issue notes in one or more series evidencing up to \$180,000,000 of long-term indebtedness payable to AWCC (the "New Long-Term Debt"). The notes evidencing the indebtedness will not be secured by a mortgage, lien, or encumbrance on Applicant's properties in the State of Missouri. A form of the note evidencing the New Long-Term Debt is attached here as **Appendix 1**.

13. The purpose and general terms of the Agreement as between Applicant and AWCC, a wholly-owned subsidiary of AWW and an affiliate of Applicant, were more particularly set forth in Applicant's Application to the Commission filed on May 30, 2002 and docketed as Case No. WF-2002-1096. These general descriptions and parameters can be found in paragraphs 13-25 of that Application.¹ In accordance with Commission Rule 4 CSR 240-3.615(1)(C), Applicant incorporates by reference the copy of the Agreement filed with the Commission as Appendix 2 to Applicant's Application in Case No. WF-2002-1096. As of the date of the filing of this Application, AWCC holds notes of Applicant evidencing \$545,075,000 of long-term, unsecured indebtedness.

14. The New Long-Term Debt to be issued pursuant to the Agreement will be as promissory notes which will be determined based on market conditions applicable at the

¹ Applicant's financing program which was the subject of its Application in Case No. WF-2002-1096 was approved by the Commission in an Order Approving Financing dated August 30, 2002.

time of issuance. The maturities will not exceed fifty (50) years at market interest rates. The interest rate for notes evidencing New Long Term Debt, including any applicable discounts, will bear interest at a rate consistent with similar securities of comparable credit quality and maturities issued by other companies.

Low Cost Financing through Special Government Programs

15. The Agreement with AWCC does not prohibit or restrict Applicant from borrowing from other parties or obtaining financial services from other parties whenever and on whatever terms it deems appropriate. From time to time, Applicant may have the opportunity to finance certain projects through special low cost government programs due to the special public benefits associated with those projects. Applicant may have the opportunity to obtain funding from the Missouri Department of Natural Resources (the “Department”) through its Water Pollution Control Program (the “Program”) in connection with certain water treatment or pollution control or improvement projects, which funding may provide low cost debt financing. Such borrowings and financings would be made directly by Applicant outside of the AWCC arrangement described in paragraphs 12 through 14.

16. The State Revolving Fund (the “Fund”) is a program codified in Chapter 644 RSMo to administer capitalization grants deposited in a special revolving fund by the United States Environmental Protection Agency and the State of Missouri. The Fund is operated by the Program. The Fund is comprised of a number of subsidiary special funds such as the Drinking Water State Revolving Fund, the Clean Water State Revolving Fund, the Water and Wastewater Loan Fund, the Water and Wastewater Revolving Loan Fund and the Drinking Water Revolving Fund. Collectively they are available to provide

financial assistance to municipalities and utilities for the construction and improvement of qualifying water and wastewater treatment facilities (hereinafter the “Qualifying Facilities”).

17. This assistance comes in the form of loans to applicants based on criteria set out in rules established by the Program, as approved by Missouri Clean Water Commission and the Safe Drinking Water Commission. Loans are available based upon availability of funds, predetermined lending limits and an applicant’s priority points award. Qualifying applicants provide loan security, subject to restrictions as a result of existing property liens, as determined by the Department. There is a direct loan component pursuant to which the Department may make or authorize low cost loans through the purchase of an applicant’s revenue bonds, short-term notes or other acceptable obligation for the planning, design and construction of Qualifying Facilities. From time to time, Applicant proposes to make application to the Program for debt financing through the direct loan program available through the Fund.

Replacement of Unsecured AWCC Debt Maturing in 2017

18. With the approval of the Commission, Applicant entered into six (6) Promissory Notes with AWCC that mature in October 2017. These Notes consist of the following:

<u>Interest Rate</u>	<u>Issue Date</u>	<u>Principal Amount</u>
2.650%	06/11/12	\$10,443,000
2.650%	06/11/12	\$ 3,826,000
2.800%	07/02/12	\$ 2,069,000
2.800%	07/02/12	\$ 7,906,000
2.800%	07/02/12	\$11,429,000
2.800%	07/02/12	<u>\$16,198,000</u>
Total		\$51,871,000

Applicant anticipates using a portion of the New Long-Term Debt to replace these Notes subsequent to their maturity and retirement.

Management of Interest Rate Risk

19. By way of this Application, and with respect to the issuance of New Long-Term Debt, the Applicant respectfully requests authority to enter into agreements in order to use, at its discretion, derivative instruments such as interest rate swaps, treasury locks, forward-starting swaps, caps, collars or other derivatives to manage the risk associated with interest rate fluctuations and other financial exposures that may occur before the issuance of the New Long-Term Debt.

Use of Proceeds

20. Applicant intends to apply the net proceeds from the New Long-Term Debt and indebtedness sourced through the Fund for the acquisition of property, the construction, completion, extension or improvements or additions to its facilities, other capital investments, all of which shall be necessary and proper for the rendition of public water supply and wastewater service, the improvement or maintenance of its service, the discharge or lawful refunding of indebtedness outstanding and to reimburse its treasury for any costs heretofore incurred. Some of the proceeds from the debt issuances will be used to replace maturing or other long-term debt at market rates and replace short-term borrowings accrued during the period of time Applicant's financing plan is in effect.

Regulatory Considerations

21. This case is not likely to be a contested case within the meaning of Commission rule 4 CSR 240-4.020(2).

22. Applicant has no objection to the Commission's order approving this Application containing express language to the effect that its authorization is not a finding by the Commission of the appropriateness of the choice of financing options for ratemaking purposes and, further, that the Commission reserves the right to consider the ratemaking treatment afforded the activities undertaken by the Applicant pursuant to its order in this case and their impact on the cost of capital in pending or subsequent rate proceedings.

Filing Requirements

23. In accordance with Commission Rule 4 CSR 240-3.615(1)(D), attached hereto, marked **Appendix 2**, incorporated herein for all purposes, is a certified copy of the Resolutions of the Board of Directors of Applicant authorizing the issuance which is the subject of this Application and authorizing the filing of this Application.

24. Also attached hereto and incorporated herein by reference are the following appendices:

- a. **Appendix 3** - Listing of issued and outstanding bonds of Applicant;
- b. **Appendix 4** - Information regarding capital stock outstanding, bonded indebtedness and short-term indebtedness and other financial information including a balance sheet for the period ending December 31, 2016, and a financial statement with the adjustments showing the *pro forma* effect of the issuance of the \$180,000,000 of New Long-Term Debt on bonded and other indebtedness. [See, 4 CSR 240-3.615(1)(E)].
- c. **Appendix 5** - Statement of Applicant's capital expenditures for the acquisition of property and the construction, completion, extension and improvement of its plant and system for the five (5) year period ending immediately prior to the filing of this Application, as well as the amount of retirements and permanent financing for the indicated, and a statement of Applicant's net property additions [See, 4 CSR 240-3.615(1)(G)].

25. The money, property or labor to be procured or paid by the issuance and sale of the New Long-Term Debt and indebtedness sourced through the Fund hereinabove

described is reasonably required for the purposes specified in this Application and such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

Supplemental Reports of Financing Activity

26. Promptly after the issuance and sale of each series of New Long-Term Debt, a report setting forth the amount, price information and other terms and provisions concerning long-term indebtedness incurred by Applicant and setting forth information concerning the use of the proceeds from any such issuance will be late filed as **Appendix 6** (a-x as applicable) hereto and made a part hereof for all purposes.

27. Each of Applicant's reports will include a statement identifying the portion of the issuance of long-term indebtedness, if any, that is subject to the fee schedule set forth in § 386.300 RSMo 2000, in accordance with 4 CSR 240-3.615(1)(F).

Contingent Request for Waiver

28. As noted above in ¶21, Applicant does not believe that the filing of this Application is likely to commence a contested case within the meaning of 4 CSR 240-4.020(2) because previous financing applications addressing the same issues presented in this filing have not become contested proceedings.² In the event that the Commission nevertheless concludes that the filing of this Application is likely to be a contested case, Applicant requests a waiver of the sixty (60) day notice for good cause shown as permitted by Commission rule 4 CSR 240-4.020(2)(A).

WHEREFORE, Applicant requests the Commission to issue an Order authorizing the Applicant of the Commission's approval to:

² See, Case Nos. WF-2002-1096, WF-2007-0279, WF-2011-0173 and WF-2015-0207.

A. Create, issue, sell and deliver to AWCC and/or the Department or its lawful designee, in one or more series, notes evidencing long-term indebtedness, each such series of notes to be issued at such time, or from time-to-time, to be of such aggregate principal amount, having maturity of not more than fifty (50) years, the debt to AWCC bearing interest at a rate consistent with similar securities of comparable credit quality and maturities issued by other companies, and having such designation and such other terms and conditions as shall be determined by Applicant at the time of issuance, provided that the aggregate principal amount of all such series shall not exceed \$180,000,000;

B. Amortize any principal or discount expenses incident to the issuance of long-term indebtedness to AWCC or similar expenses related to debt issued to other lenders over the life thereof;

C. Enter into, execute, deliver and perform the necessary arrangements or other documents necessary to effectuate the transactions hereinabove described; and

D. Take such other actions as may be necessary to complete the subject transactions; and

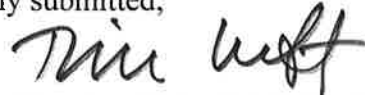
Further ordering that the proceeds from the issuance and sale of the New Long-Term Debt, and indebtedness sourced through the Fund will be used by Applicant for the acquisition of property, the construction, completion, extension or improvement or addition to its facilities, the discharge or lawful refunding of obligations, the improvement of or maintenance of its service, and for other corporate purposes as hereinabove described;

Further ordering that the money, property or labor to be procured or paid for by the Applicant through the issuance and sale of the New Long-Term Debt and indebtedness sourced through the Fund is reasonably required and necessary for the purposes set forth and

will be used therefore and such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income, all as required by § 393.200 RSMo. 2000; and

If necessary, waiving the requirement of a sixty (60) day notice of intent to file as set forth in 4 CSR 240-4.020(2) for good cause shown.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was electronically transmitted, sent by U.S. Mail, postage prepaid, or hand-delivered, on this ____ day of June, to:

Missouri Public Service Commission
General Counsel's Office
Governor Office Building
200 Madison Street, P.O. Box 360
Jefferson City, MO 65102

Office of Public Counsel
Governor Office Building
200 Madison Street, P.O. Box 7800
Jefferson City, MO 65102



Timothy W. Luft

State of Missouri)
) ss
County of St. Louis)

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Cindy M Fergan
Notary Public

8/12/2020

