

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 17th
day of November, 1989.

In the matter of the application of St. Louis County)
Water Company for authority to issue and sell)
\$11,000,000 aggregate principal amount of its First) Case No. WF-90-81
Mortgage 9.49% Bonds, Series Q, due 2029.)
)

ORDER

On October 13, 1989, St. Louis County Water Company (Applicant) filed an application seeking authority to issue and sell \$11,000,000 aggregate principal amount of its First Mortgage 9.49% Bonds, Series Q, due 2029.

Applicant is a corporation organized and existing under the laws of the state of Missouri with its principal office in St. Louis County, Missouri, and is a corporation authorized to carry on the business of a water company in the county of St. Louis, Missouri. Applicant is subject to the jurisdiction of the Missouri Public Service Commission (Commission).

During the period from January 1, 1943, to and including June 30, 1989, Applicant has made expenditures from income and from other moneys in its treasury aggregating \$286,968,790.57 for the acquisition of property and the construction, completion, extension and improvement of its plant and distribution system; and during said period has made retirements aggregating \$18,323,126.15. A statement describing said additions and retirements was filed as Exhibit 1 to the application. Applicant proposes to issue and sell \$11,000,000 aggregate principal amount of Applicant's First Mortgage Bonds, subject to the approval of this Commission, and intends to use such proceeds to retire Series K, Series M, Series N, Series O and Series P indebtedness in the amounts of \$320,000, \$480,000, \$475,000, \$275,000 and \$442,200, respectively, pursuant to sinking fund requirements, to retire Series M,

Series N and Series O indebtedness in the amounts of \$480,000, \$475,000 and \$275,000, respectively, pursuant to sinking fund options, to reimburse its treasury, in part, for moneys previously spent for property additions, and/or to add to working capital for general corporate purposes.

Applicant proposes to issue and sell for cash \$11,000,000 aggregate principal amount of its First Mortgage 9.49% Bonds, Series Q, at a price of 100 percent of the principal amount thereof. Said Series Q bonds are to be issued under and secured by the Indenture of Mortgage and Deed of Trust dated as of December 1, 1942, and Supplemental Indentures thereto dated as of June 1, 1946, June 1, 1950, December 1, 1952, January 1, 1954, June 1, 1955, December 1, 1957, December 1, 1961, December 1, 1964, June 1, 1967, June 1, 1971, December 1, 1977, January 15, 1983, December 1, 1984, October 1, 1985, January 1, 1988, and November 1, 1988, and an additional Supplemental Indenture to be dated upon authentication and delivery of the Series Q bonds, which date will be no later than December 14, 1989, unless extended by option of the purchaser, which said Supplemental Indenture will be filed as a late-filed exhibit in this case. Applicant states the text of said Supplement will be substantially the same as the text of the Supplemental Indenture form attached to the application as Exhibit 8, with the modifications set forth in the Summary of Principal Terms and Covenants attached as Exhibit 9 to the application. Series Q bonds are to be in fully registered form, are to be dated as provided in Section 11 of said Indenture of Mortgage and Deed of Trust dated as of December 1, 1942, and are to mature 40 years following the date of issuance. The bonds will be privately sold to First Colony Life Insurance Company or its assignees.

Applicant is authorized under its charter as of June 30, 1989, to issue 671,944 shares of capital stock consisting of 46,944 shares of preferred stock with a par value of \$100 per share, issuable in one or more series, and 625,000 shares of common stock without par value. Of the 46,944 authorized shares of preferred stock, 1,944 shares known and designated as the 4.50% Preferred Stock, Series A, of the

Applicant are issued and outstanding as of June 30, 1989, fully paid and nonassessable. An additional 300 shares of said preferred stock will be redeemed January 1, 1990. Of the 625,000 shares of common stock without par value, 550,000 shares have been issued and are now outstanding, fully paid and nonassessable.

Applicant estimates that the total expenses to be incurred in connection with the issuance and sale of said First Mortgage Bonds, Series Q, should not exceed \$111,650. Applicant has submitted a certified copy of the resolution adopted by the Executive Committee of the Board of Directors of Applicant to authorize the filing of the instant application.

Applicant states the proposed issuance is advantageous for Applicant and necessary for the purposes specified herein. Applicant further states that the issuance of bonds is not, in whole or in part, reasonably chargeable to operating expenses or to income except that the expenses incident to the issuance, sale and delivery of the First Mortgage Bonds, Series Q, should be amortized to income over their life.

On October 25, 1989, the Commission Staff filed a memorandum concerning the instant application. Staff recommended approval of the application with the condition that the approval of this financial application is not determinative of any ratemaking treatment to be afforded the transactions contemplated by the application. Staff stated that the proposed bond issuance is within a reasonable range for the current interest rates and does not appear to be detrimental to the company or its ratepaying customers. Staff recommended that the Company file with the Commission the final terms and conditions of the issuance after the First Mortgage Bonds are issued.

The fee authorized by Section 386.300.1(5), R.S.Mo. 1986, is \$4,389.00.

The Commission, having given due consideration to the application herein, the attached exhibits, and the recommendations of its Staff, concludes that a hearing is not necessary to resolve the issues in this matter. The Commission finds the

proposed issuance to be in accordance with Section 393.200.1. Thus, in the opinion of the Commission, the money to be paid for by the issuance of the bonds is reasonable required for the purposes specified and such purposes are not, in whole or in part, reasonable chargeable to operating expenses or to income. Moreover, the Commission determines the proposed issuance and sale is not detrimental to the public and the application should be granted.

It is, therefore,

ORDERED: 1. That St. Louis County Water Company be, and hereby is, authorized to issue and sell \$11,000,000 of its First Mortgage Bonds, Series Q, due 2029 and bearing and interest rate of 9.49 percent per annum to the following purchaser:

<u>Name of Purchaser</u>	<u>Amount of Bonds to be Purchased in Denominations to be Determined</u>
First Colony Life Insurance Company (or its assignees)	\$11,000,000

said bonds to substantially comply with the Summary of Principal Terms and Covenants introduced as Exhibit 9 herein.

ORDERED: 2. That the proceeds of the sale of the bonds herein authorized shall be used for the purposes herein specified and no other.

ORDERED: 3. That St. Louis County Water Company execute and deliver the Supplemental Indenture to be dated as of authentication and delivery of said Series Q bonds in substantially the form as provided in said Supplemental Indenture to be filed in this proceeding, which said Series Q Supplemental Indenture shall substantially comply with the Summary of Principal Terms and Covenants filed in this proceeding.

ORDERED: 4. That St. Louis County Water Company make payments for services rendered and expenses incurred in connection with this financing.

ORDERED: 5. That jurisdiction of this proceeding be reserved for the purpose of making such order or orders proper with respect to the subject matter of this proceeding.

ORDERED: 6. That St. Louis County Water Company is hereby authorized to execute other agreements and documents necessary or appropriate to this financing.

ORDERED: 7. That St. Louis County Water Company shall pay to the Director of Revenue that amount of the fee schedule found applicable pursuant to Section 386.300, R.S.Mo. 1986.

ORDERED: 8. That nothing in this order shall be considered as a finding by the Commission of the reasonableness of the expenditures herein involved, nor of the value for ratemaking purposes of the properties herein involved, nor as an acquiescence in the value placed upon said properties by St. Louis County Water Company. Furthermore, the Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions, and their resulting cost of capital, in any later proceeding.

ORDERED: 9. That within thirty (30) days from the closing of the transaction herein authorized, St. Louis County Water Company shall file a verified report with the Commission reflecting the journal entries relating to the issuance and utilization of the proceeds of the debt, and the amount of the issuance costs incident to the transaction.

ORDERED: 10. That this order shall become effective on the 28th day of November, 1989.

BY THE COMMISSION



Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Mueller,
Fischer and Rauch, CC., Concur.