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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 2nd
day of March, 1999.

In the Matter of the Application of St. Louis)
County Water Company for Authority to Issue)
and Sell \$40,000,000 Aggregate Principal) Case No. WF-99-300
Amount of its First Mortgage Bonds, Series Y,)
Due 2029 to the EI ERA, at an Interest Rate and)
Discount to be Negotiated.)

ORDER APPROVING FINANCING

On January 8, 1999, St. Louis County Water Company (Company or Applicant) filed an application for authority to issue and sell its First Mortgage Bonds, Series Y, in the aggregate principal amount of \$40,000,000 to the State Environmental Improvement and Energy Resources Authority (EI ERA). Applicant states that the purpose of the transaction is to retire its 6.4 percent Series S EI ERA indebtedness of \$25,000,000, redeemable on or after February 1, 1999, and to acquire property, construct, extend, and improve its plant and distribution system, make other capital improvements necessary to the rendition of public water supply, and reimburse its treasury for certain costs incurred subsequent to January 1, 1998.

On February 16, 1999, the Staff of the Commission filed its Memorandum in which it recommends that the Commission approve Company's application with the conditions that the interest rate on the proposed Series Y First Mortgage Bonds not exceed 6.0 percent and that Applicant

file the final terms and conditions with the Commission. Staff states that, if the Application is approved, the resulting capital structure will be 45.22 percent common equity and 54.78 percent long-term debt. Staff notes that Applicant's pre-tax interest coverage ratio will be lower, although still within Standard & Poor's guidelines for "A" rated companies. Staff concludes that the interest rate and proposed capital structure are reasonable.

The Commission has reviewed Company's application and the Staff memorandum, and determines the proposed transaction to be reasonable and not detrimental to the public interest. The Commission will approve the requested financing with the conditions recommended by the Staff.

IT IS THEREFORE ORDERED:

1. That St. Louis County Water Company is hereby authorized to consummate the transactions contemplated in its application filed January 8, 1999, in connection with the issuance, delivery and sale of its Series Y First Mortgage Bonds, due 2029, in the aggregate principal amount of \$40,000,000, with the condition that the interest rate on the Series Y First Mortgage Bonds not exceed 6.0 percent

2. That St. Louis County Water Company will use the proceeds of the transaction to retire its 6.4 percent Series S EIARA indebtedness of \$25,000,000, redeemable on or after February 1, 1999, and to acquire property, construct, extend, and improve its plant and distribution system, make other capital improvements necessary to the rendition of public water supply, and reimburse its treasury for certain costs incurred subsequent to January 1, 1998.

3. That St. Louis County Water Company may make payments for services rendered and expenses incurred in connection with the issuance and delivery of its Series Y First Mortgage Bonds.

4. That St. Louis County Water Company shall submit all pertinent information to the Staff of the Commission within 10 days of completion of the above transaction, and shall file a pleading in this case notifying the Commission and the parties that the information has been submitted to the Staff of the Commission.

5. That nothing in this order shall be considered a finding by the Commission of the value for ratemaking purposes of the properties, transactions, or expenditures herein involved. The Commission reserves the right to consider any ratemaking treatment to be afforded the properties, transactions and expenditures herein involved in a later proceeding.

6. That this order shall become effective on March 12, 1999.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Drainer,
Murray and Schemenauer, CC.,
concur.

Thompson, Deputy Chief Regulatory Law Judge

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COMMISSION ON
PUBLIC SERVICE COMMISSION