

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 14th
day of February, 1990.

In the matter of the application of Missouri-American Water)
Company for authority (1) to execute and deliver a Sixth)
Supplemental Indenture to its Indenture of Mortgage dated)
as of May 1, 1968, for the purpose of creating an additional)
series of its General Mortgage Bonds, 9.01% Series, due)
February 15, 2005, (2) to issue and sell at private sale) Case No. WF-90-119
\$5,700,000 principal amount of such bonds, and (3) to issue)
and sell at private sale \$1,000,000 aggregate amount of)
Common Stock.)
)

ORDER

On December 15, 1989, Missouri-American Water Company (Applicant), a Missouri corporation, filed an application for authority to execute and deliver a Sixth Supplemental Indenture to its Indenture of Mortgage dated May 1, 1968, for the purpose of creating an additional series of its General Mortgage Bonds, 9.01% Series, due February 15, 2005, and to issue and sell at private sale such bonds in the principal amount of \$5,700,000, as well as to issue and sell at private sale Common Stock in the amount of \$1,000,000. This application is submitted pursuant to the requirements of Section 393.200, R.S.Mo. 1986.

The bonds will be privately placed with American-United Life Insurance Company of Indianapolis, Indiana, at a price of 100 percent of the principal amount. The stock will be sold to Applicant's parent company, American Water Works Company, Inc., for an aggregate price of \$1,000,000. The Applicant proposes to use the proceeds from the bonds and sale of Common Stock for repayment of short term debt and sinking funds as well as the redemption of Series E bonds that matured on November 1, 1989. The remainder of the proceeds will be deposited in the Applicant's treasury.

On January 30, 1990, the Commission's Staff (Staff) filed a memorandum recommending that the Commission approve this application. Staff states that the

proposed bond issuance is within a reasonable range for current interest rates and does not appear to be detrimental to the Applicant or to its ratepayers. Staff also states that the proposed issuance of Common Stock appears reasonable. Staff notes that the long term debt and stock issuances will have a slight upward effect on the Applicant's pro forma after-tax cost of capital. However, Staff states that the issuances are needed. Staff further recommends that the Commission direct the Applicant to file with the Commission the final terms and conditions of the issuances after the General Mortgage Bonds and shares of Common Stock are issued. In addition, Staff requests that the Applicant be directed to file journal entries reflecting the actual issuance of the bonds and the utilization of the proceeds they generate.

The Commission determines that the Applicant has complied with the requirements of Section 393.200, R.S.Mo. 1986, and of the Commission's rule, 4 CSR 240-2.060(6). It is the Commission's opinion that the money, property or labor to be procured or paid for by the issue of such stocks and bonds is reasonably required for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. Based upon the Staff's recommendations and the application with its exhibits filed herein, the Commission determines that the financing should be authorized. The Commission notes that to the extent that the proceeds of these issuances will be applied to the discharging or retiring of any bond, note or other evidence of indebtedness, the fees required by Section 386.300, R.S.Mo. 1986, will not apply.

It is, therefore,

ORDERED: 1. That Missouri-American Water Company is authorized hereby to issue and sell General Mortgage Bonds in the principal amount of Five Million Seven Hundred Thousand Dollars (\$5,700,000) as more fully described in its application in this case to American-United Life Insurance Company.

ORDERED: 2. That Missouri-American Water Company is authorized hereby to issue and deliver the Sixth Supplemental Indenture to its Indenture of Mortgage

securing the General Mortgage Bonds as more fully described in its application in this case to American-United Life Insurance Company.

ORDERED: 3. That Missouri-American Water Company is authorized hereby to issue and sell One Million Dollars (\$1,000,000) of Common Stock to its parent company, American Water Works Company, Inc., as more fully described in its application filed in this case.

ORDERED: 4. That Missouri-American Water Company is authorized hereby to do and perform, or to cause to be done and performed, all such other acts and things as well as to make, execute and deliver any and all documents as may be necessary or appropriate to effectuate the financing authorized herein, including the payment of necessary and reasonable expenses in connection with the issue and sale of securities authorized herein.

ORDERED: 5. That nothing in this order shall be considered as a finding by the Commission of the reasonableness of the expenditures herein involved, or of the value for ratemaking purposes of the properties herein involved, or as an acquiescence in the value placed upon said properties by Missouri-American 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: 6. That within thirty (30) days from the closing of the transactions herein authorized, Missouri-American Water Company shall file with the Commission the final terms and conditions of the issuances after the General Mortgage Bonds and shares of Common Stock are issued.

ORDERED: 7. That Missouri-American Water Company is directed hereby to file with the Commission journal entries reflecting the actual issuance of the bonds and stocks and of the utilization of the proceeds which they generate within thirty (30) days of either their issuance or utilization, as appropriate.

ORDERED: 8. That this order shall become effective on the 27th day of
February, 1990.

BY THE COMMISSION

Daniel J. Redel

Daniel J. Redel
Acting Secretary

(S E A L)

Steinmeier, Chm., Mueller, Rauch,
McClure and Letsch, CC., Concur.