

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY**

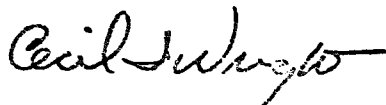
APRIL 11, 1997

CASE NO: WF-97-349

Charles J. Fain, Attorney at Law, 118 1/2 S. Commercial, Branson, MO 65616

Enclosed find certified copy of ORDER in the above-numbered case(s).

Sincerely,



**Cecil L. Wright
Executive Secretary**

Uncertified Copy:

**Office of the Public Counsel, P.O. Box 7800, Jefferson City, MO 65102
Harold Epps, President, Tri-State Utility, Inc., 2580 State Highway 165, Branson, MO 65616**

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 11th day of April, 1997.

In the Matter of the Application of Tri-State Utility, Inc., for Authority to Borrow an Amount Not to Exceed \$1,300,000 from Great Southern Bank and in Connection Therewith to Execute a Loan Agreement, Promissory Note, Deed of Trust, Security Agreement and Financing Statement.)
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) Case No. WF-97-349
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ORDER APPROVING FINANCING

On February 25, 1997, Tri-State Utility, Inc. (applicant or Tri-State) filed an application requesting Commission authority to borrow an amount not to exceed \$1,300,000 from Great Southern Bank and in connection therewith to execute a loan agreement, promissory note, deed of trust, security agreement and financing statement. The Commission's approval of the proposed transaction is required pursuant to Section 393.190.1.¹ That provision prohibits a water corporation from mortgaging or otherwise encumbering any part of its system used in providing service to the public without prior authority from the Commission. On March 7, 1997, the Commission's Staff (Staff) filed a memorandum in this case recommending approval of the request.

The Commission, upon consideration of the verified application and Staff's memorandum, determines that a hearing is not necessary to resolve

¹ All statutory references are to Revised Statutes of Missouri 1994 or its 1996 Supplement, unless otherwise indicated.

the matters at issue herein. The Commission finds and concludes as follows.

Applicant is a public utility and a water corporation as defined in Sections 386.020(32) and 386.020(51), RSMo Supp. 1996, respectively, and is subject to the Commission's jurisdiction under Chapters 386 and 393. Applicant's principal place of business is located in Branson, Missouri. Applicant is engaged in the business of providing water utility services to customers in its service area.

Tri-State proposes to borrow an amount of money not to exceed \$1,300,000 from Great Southern Bank. Tri-State proposes to use these funds to refinance Tri-State's existing indebtedness and to finance certain operational needs.

Applicant states that the funds will be used to pay the balance of Mercantile Bank loans as follows: \$363,440.16 on loan number 4184; \$564,971.60 on loan number 11668; and \$187,626.04 on loan number 76588. In total, Tri-State is proposing to pay off \$1,116,037.80 in loans. Staff indicates that the remaining \$183,962.20 is needed to finance engineering costs on an expansion project and for other appropriate purposes.

Staff points out that the actual increase in debt resulting from this transaction is \$183,962.20, or 16.48 percent. Tri-State is of the opinion that only \$183,962.20 of the total proposed financing is subject to the fee schedule under Section 386.300. The Staff states that this is a new loan and therefore the entire amount of \$1,300,000 should be subject to the fee schedule because the short-term construction loans were not subject to the fee schedule.

The proposed promissory note for \$1,300,000 will be subject to a variable rate of interest with an initial rate of 10 percent per annum. The variable rate is computed by adding 1.75 percentage points to

Great Southern's prime lending rate. The Staff states that in its opinion the interest rate is reasonable given the current economic conditions and Tri-State's difficulty in attempting to refinance the short-term debt.

Staff points out an additional condition of the proposed promissory note is evidence of \$270,000 in life insurance for the company's president, Harold Epps, with the proceeds on that insurance policy payable to Great Southern. Staff states that this is a reasonable condition and one frequently required when loans are made to smaller businesses. In conclusion, Staff recommends that the Commission approve the proposed financing.

On April 4, the Commission issued a Notice in this case. The Notice indicated the need for a detailed explanation of the capital structure effect and cash flow impact of the proposed transaction. The Notice also stated that applicant or Staff should provide a current, accurate pro forma balance sheet and income statement as required under 4 CSR 240-2.060(8)(E).

On April 9, applicant filed an amended application. The only changes appear to be the revision of the dates shown at the top of the columns on Exhibit 5 (pro forma statements) and the movement of \$100,000 from total noncurrent assets to net plant in service.

On April 10, the Staff filed a supplemental memorandum to the official case file. Staff states that Tri-State's capital structure at December 31, 1996, after booking the additional proposed debt, would change from the current 12.03 percent common equity and 87.97 percent long-term debt to 10.51 percent common equity and 89.49 percent long-term debt. Staff advises that the company should be able to meet its financial obligations, based on projected revenue growth in the future. Tri-State's

certificated area is experiencing significant and steady growth, and will for the foreseeable future. Staff states that Tri-State expects Chateau-on-the-Lake, a large hotel/resort complex, to be open for business and begin using water. The company also expects growth from new residential construction. Staff notes that this projected increase in revenue is reflected in the company's pro forma financial ratios which are attached to Staff's memorandum and designated "Attachment B."

Staff's supplemental memorandum indicates that the commitment of Great Southern Bank to provide the requested financing will expire April 15, 1997. Therefore, the Commission will approve the application with an issue date less than ten days in advance of the effective date and make this order effective on April 15, 1997.

IT IS THEREFORE ORDERED:

1. That the application filed by Tri-State Utility, Inc. On February 25, 1997 is hereby approved.
2. That Tri-State Utility, Inc. is hereby authorized to borrow an amount of money not to exceed \$1,300,000 from Great Southern Bank substantially in accordance with the terms and conditions of the Loan Agreement attached to the application and designated as Exhibit 1.
3. That Tri-State Utility, Inc. is hereby authorized to execute and deliver a Promissory Note evidencing the loan, substantially in the form of the Promissory Note attached to the application and designated as Exhibit 2.
4. That Tri-State Utility, Inc. is hereby authorized to deliver a Mortgage, Security Agreement and Financing Statement for the purposes of securing the loan substantially in the form of the mortgage, Security

Agreement and Financing Statement attached to the application and designated as Exhibit 3.

5. That Tri-State Utility, Inc. is hereby authorized to take whatever other measures are necessary to execute and deliver all documents necessary to the end that the intent and purposes of the financing will be effectuated.

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

7. That this order shall become effective on April 15, 1997.

BY THE COMMISSION



**Cecil I. Wright
Executive Secretary**

(S E A L)

Zobrist, Chm., and Drainer, C.,
concur.
Crumpton, C., dissents.
McClure, C., absent.

ALJ: Luckenbill

ALJ/Sec'y: L. Schenck / Pope

4-10
Date Circulated

WF-97-349
CASE NO.

K3 p. 34
Chairman

ASent
Commissioner

NO
Commissioner

add
Commissioner

4-11 (good cause)
Agenda Date

Action taken: 2-1 A/Am
(Crimpton diverting)

STATE OF MISSOURI
OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 11 day of APRIL, 1997.

Cecil I. Wright
Cecil I. Wright
Executive Secretary