STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service Commission held at its office in Jefferson City on the 19th day of August, 1992.

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| In the matter of the application of Clarence Cannon Wholesale Water Commission for authority to issue refunding bonds. | ) ) ) | CASE NO. WF-93-21 |

## ORDER APPROVING FINANCING

On July 23, 1992, Clarence Cannon Wholesale Water Commission (Applicant) filed an application with the Commission requesting authority to issue up to $25.5 million principal amount of tax-exempt Revenue Bonds (New Bonds). The New Bonds will be term bonds with an interest rate not to exceed 7.50 percent. Further, terms and conditions including provisions for prepayment and redemption are to be determined at the time of issuance.

The net proceeds from the sale of the New Bonds are to be placed in escrow until the year 2000. At that time, Applicant intends to use the proceeds to refund a 1990 Series of tax-exempt Revenue Bonds with an original principal outstanding of $21.8 million (Old Bonds). The escrow and refund process would occur as follows:

1. Applicant will issue up to $25.5 million of the New Bonds (tax-exempt) for an estimated average interest cost of 6.70 percent.

2. The proceeds from the issuance of the New Bonds will be placed in escrow with United Missouri Bank, N.A., Kansas City, Missouri.

3. The proceeds will be invested in zero-coupon U.S. Treasury Securities in amounts and with maturity dates staggered such that all interest and principal payments associated with the Old Bonds will be paid with the principal proceeds and interest earned from the New Bonds.

4. Final principal and call premiums will be paid on the call date of the Old Bonds in June, 1992.

Applicant states that, because of present market conditions and interest rates, the issuance of the New Bonds for the purpose of refunding the Old Bonds will result in a net interest savings and will be in the best interest of Applicant, its member cities and water districts, and their inhabitants.

On August 17, 1992, the Staff of the Commission (Staff) filed a memorandum recommending that the Commission approve the issuance of the New Bonds by Applicant.

A Staff review of the estimated net present value savings associated with the proposed refinancing indicates that, inclusive of all issuance costs and call premiums, the New Bonds will result in a net present value savings of approximately $529,699. According to Staff, such savings are a direct impact of the projected average interest cost associated with the New Bonds of approximately 6.70 percent.

Staff also performed an analysis of estimated ratepayer savings. Applicant's rate structure is such that base rates are determined by summing: 1) allowed operating and maintenance expenses, 2) monies to be paid for a Bond Reserve Fund, and 3) 120 percent of the principal and interest associated with the bonds. Staff stated that the Bond Reserve Fund is fully funded and that no funding increase will be necessary due to the interest savings associated with the New Bonds. Staff's analysis indicates that, given that a net present value savings will result from issuance of the New Bonds, and given Applicant's rate structure, Applicant's ratepayers should benefit from lower rates.

The Commission finds that the issuance of the New Bonds and the terms thereof are reasonable. This finding is based on the anticipated net present value savings to be passed on to Applicant's ratepayers. To ensure such a savings occurs, the Commission is of the opinion that Applicant should not sign corporate resolutions effectuating the issuance of the New Bonds until all final financial analysis has been performed and the net present value savings amount is derived.

The Commission also finds that the money, property, or labor to be procured or paid for by the issuance of the New Bonds is reasonably required for the purposes specified herein, and that the purposes are not in whole or in part reasonably chargeable to operating expenses or to income. Thus, the Commission determines that the issuance of the New Bonds should be approved.

IT IS THEREFORE ORDERED:

1. That the application of Clarence Cannon Wholesale Water Commission to issue $25.5 million principal amount of tax-exempt revenue bonds is hereby approved on the condition that a net present value savings, inclusive of all issuance costs and call premiums, is derived from the issuance of the bonds.

2. That Clarence Cannon Wholesale Water Commission shall file a copy of its final financial analysis document showing the net present value savings with the Executive Secretary of the Missouri Public Service Commission.

3. Subject to the condition outlined in Ordered Paragraph 1, Clarence Cannon Wholesale Water Commission may execute and deliver such instruments and may undertake such other acts as are necessary to consummate the issuance of the bonds as contemplated by this order.

4. That Clarence Cannon Wholesale Water Commission shall file the final terms and conditions associated with the bonds, as well as all relevant final documents, with the Executive Secretary of the Missouri Public Service Commission.

5. That nothing in this order shall be considered as a finding by the Missouri Public Service 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 Clarence Cannon Wholesale Water Commission.

6. That the Missouri Public Service Commission reserves the right to consider the ratemaking treatment to be afforded the transactions herein involved, and their resulting cost of capital, in any later proceeding.

7. That this order shall become effective on August 20, 1992.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Mueller, Rauch,
and Perkins, CC., Concur.
Kincheloe, C., Absent.