

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 13th
day of April, 1990.

In the matter of the application of United Cities Gas)
Company for an order authorizing the issuance and sale of)
\$20,000,000 of First Mortgage Bonds, Series Q, due 2019,) Case No. WF-90-63
and to execute and deliver a Supplemental Indenture secur-)
ing same.)
)

ORDER APPROVING FINANCING

On September 15, 1989, United Cities Gas Company (United Cities) filed an application seeking a Commission order authorizing the issuance and sale of its First Mortgage Bonds, Series Q, in the principal amount of \$20,000,000. The proceeds of the financing are to be used for the purposes of increasing working capital, paying bank loans, acquisition of property, and for the construction and extension or improvement of or additions to facilities. United Cities indicates that all of the proposed issuance is subject to the fee schedule in Section 386.300.1(5), R.S.Mo. 1986.

Attached to the application and through subsequent filings, all of the information required by 4 CSR 240-2.060 has been filed. United Cities originally proposed to issue the debt by December 31, 1989, but has extended the issuance date to April 30, 1990.

On April 9, 1990, Commission Staff filed a memorandum recommending the Commission approve the proposed financing. Staff states that the \$20,000,000 in mortgage bonds would be issued at a rate of 9.75 percent per annum with a maturity date of 30 years, and that the bonds will be privately placed for \$10,000,000 to Allstate Life Insurance Company, \$6,000,000 to Provident Life & Accident Insurance Company, and \$4,000,000 to Franklin Life Insurance Company at a price of 100 percent of the principal amount.

Staff states further that the issuance of the bonds will decrease the ratio of debt to common equity and thus reduce United Cities' overall weighted cost of capital. Based upon the 9.75 percent issuance rate, United Cities' common equity ratio will be reduced approximately from 50.2 percent to 42.7 percent. Staff states this is still a reasonable level. Staff states further that the proposed bond issuance is within a reasonable range for current interest rates.

The Commission has reviewed the application and determines that United Cities will be granted authority to issue the bonds. The interest rate appears to be reasonable and based upon Staff's recommendation, the issuance will not be detrimental to customers or the public interest. The Commission finds further that the issuance is reasonably required for the purposes specified in this order and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

It is, therefore,

ORDERED: 1. That United Cities Gas Company is hereby authorized to issue and sell Twenty Million Dollars (\$20,000,000) in First Mortgage Bonds, Series Q, as described in this order and the application.

ORDERED: 2. That United Cities Gas Company is hereby authorized to take those actions which are reasonably necessary to execute, deliver, issue and sell the First Mortgage Bonds and Supplemental Indenture to its original Indenture of Mortgage, and such actions which are reasonably required by this transaction.

ORDERED: 3. That United Cities Gas Company shall file with the Commission final terms and conditions of the issuance after the First Mortgage Bonds are issued.

ORDERED: 4. That United Cities Gas Company shall submit journal entries showing the booking of the proceeds and use thereof to the Commission's Internal Accounting Department.

ORDERED: 5. 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 United Cities Gas 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 this order shall become effective on the 24th day of April, 1990.

BY THE COMMISSION

Harvey G. Hubbs
Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Rauch and
McClure, CC., Concur.
Mueller and Letsch-Roderique,
CC., Absent.