

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 15th day of March, 1991.

In the matter of the application of Greeley Gas Company)
for authority to mortgage or encumber its works or system.) Case No. GF-91-282
)

ORDER APPROVING FINANCING

On February 21, 1991, Greeley Gas Company (Greeley) filed an application requesting the Commission grant Greeley authority to issue and sell, for money only, a new series of its First Mortgage Bonds in the aggregate principal amount of seventeen million dollars. The bonds, as proposed, would bear an interest, mature and be redeemable and otherwise have the terms as provided in Greeley's Ninth Supplemental Indenture. The form of the Ninth Supplemental Indenture was late filed as Schedule 2 to the application.

Greeley proposes to issue and sell the bonds in a private placement directly to a single purchaser, First Colony Life Insurance Company. The interest rate on the bonds is designated as 9.40 percent payable semiannually, and the bonds have a maturity date of 2021. A copy of the Bond Purchase Agreement was late filed as Schedule 3 to the application.

Greeley proposes to use the proceeds from the offering to reclaim part of its 12.75 percent and 13.25 percent outstanding series of First Mortgage Bonds and for other general corporate purposes including, but not limited to, reimbursement in part of its treasury for moneys previously expended for prior capital expenditures against which no securities had been issued. Greeley states that its application is filed pursuant to Section 393.190, R.S.Mo. 1986, and no fees are applicable.

On March 8, 1991, Commission Staff filed a memorandum recommending the granting of the authority sought by Greeley. Staff states that under current

market conditions, the 9.40 percent interest rate is reasonable. Staff states further that the embedded cost of Greeley's long term debt will decrease from 13.34 percent to 10.32 percent and its common equity ratio will decrease from 66.74 percent to 51.53 percent. Staff believes this is an acceptable level for the common equity ratio. Staff recommends that Greeley be directed to file a detailed report of the proceeds of the sale and application of the proceeds.

The Commission has considered this application and Staff's recommendation and will grant Greeley the authority requested. The sale of the bonds at a 9.40 percent interest rate will reduce Greeley's cost of capital and the 51.53 percent common equity ratio is within reasonable limits. The Commission will also adopt Staff's recommendation concerning the reporting of the use of the proceeds.

IT IS THEREFORE ORDERED:

1. That Greeley Gas Company be hereby authorized to execute and deliver to Central Bank of Denver, trustee, a Ninth Supplemental Indenture to be dated on or prior to the date of the issuance of the First Mortgage Bonds, supplemental to the Indenture of Mortgage and Deed of Trust dated as of March 1, 1957, in substantially the form of Schedule 2 to the application.

2. That Greeley Gas Company be hereby authorized to create and make effective the lien of the Indenture of Mortgage and Deed of Trust, dated as of March 1, 1957, as amended and supplemented by the First through Eighth Supplemental Indentures, and to be amended and supplemented by a Ninth Supplemental Indenture in substantially the form of Schedule 2 to the application, for a new series of First Mortgage Bonds to bear interest, mature, be redeemable and otherwise have the terms and provisions set forth in the Ninth Supplemental Indenture and to be dated on or prior to the date of the initial issuance thereof, on the property of Greeley Gas Company in the state of Missouri to secure said bonds, provided that the aggregate principal amount thereof shall not exceed seventeen million dollars (\$17,000,000).

3. That Greeley Gas Company be hereby authorized to enter into, execute and deliver any and all documents and instruments and to do and perform, cause to be done and performed, such other acts as may be reasonably necessary to consummate the proposed transactions.

4. That Greeley Gas Company shall file a report of the proceeds of the sale and the application of those proceeds.

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 Greeley 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.

6. That this order shall become effective on the 26th day of March, 1991.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

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