

**BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American Water)	
Company for Authority to Issue up to)	
\$57,490,000 in Aggregate Principal)	Case No. _____
Amount of its General Mortgage Bonds in)	
Conjunction with the Refunding of)	
Outstanding Issues of Tax-Exempt Bonds)	

APPLICATION

COMES NOW Missouri-American Water Company (hereinafter "Applicant") pursuant to §393.190 and §393.200 RSMo. 2000 and 4 CSR 240-2.060, 2.080, 3.605 and 3.615, and for its Application to the Missouri Public Service Commission (hereinafter "Commission"), states that:

The Applicant

1. Applicant is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. Applicant is qualified to conduct business as a public utility in the State of Missouri subject to the jurisdiction of the Commission as provided by law. A copy of Applicant's Certificate of Corporate Good Standing issued by the Missouri Secretary of State's Office addressing Applicant's corporate status was filed with the Commission in Case No. WF-2002-1096 and is incorporated herein by reference in accordance with Commission Rule 4 CSR 240-2.060(1)(G).

2. Applicant is engaged, generally, in the business of furnishing water and wastewater services to the public in over one hundred (100) municipalities within twelve (12) counties throughout the State of Missouri.

3. Applicant has no pending actions or final unsatisfied judgments or decisions against it from a state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of date of this Application.

4. Applicant has no annual reports or assessment fees overdue or unpaid.

5. All communications, notices, orders and decisions respecting this Application and proceeding should be addressed to:

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Capitalization of Applicant

6. Applicant has an Indenture dated December 1, 1942, and supplements thereto dated June 1, 1950; December 1, 1952; January 1, 1954; June 1, 1955; December 1, 1957; December 1, 1961; December 1, 1964; June 1, 1967; June 1, 1971; December 1, 1977; January 15, 1983; December 1, 1984; November 1, 1985; January 1, 1988; November 1, 1988; November 1, 1989; December 1, 1989; February 1, 1991; February 1, 1992; February 1, 1993; May 1, 1995; November 1, 1996; April 1, 1997;

May 1, 1997, March 1, 1998; March 1, 1999; and December 31, 2001; by and between St. Louis County Water Company and United Missouri Bank and Trust Company, as Trustee. St. Louis County Water Company merged with and into Applicant, the latter surviving, effective December 31, 2001. There are presently due under said Indentures \$126,570,000 aggregate principal amount of First Mortgage Bonds. The said St. Louis County Water Company Indenture, as supplemented and amended, constitutes a first mortgage lien against the property of the Applicant described in said Indenture. The issuance of additional First Mortgage Bonds under the St. Louis County Water Company Indenture is prohibited by Applicant's Indenture of Mortgage, except for transfers, exchanges or substitutions.

7. Applicant has outstanding an Indenture of Mortgage dated May 1, 1968, and supplements thereto dated March 1, 1971; October 1, 1975; October 1, 1980; January 1, 1984; September 1, 1986; February 1, 1990; January 1, 1993; March 1, 1994; January 1, 1995; March 1, 1995; July 1, 1996; June 1, 1997; February 1, 1998; November 1, 1998; March 1, 2000; December 31, 2001; and April 1, 2002 by and between Applicant and First Union National Bank (formerly The Fidelity Bank), and UMB Bank and Trust Company, N.A. (formerly Mercantile Bank of Western Missouri, successor to William B. Ebert), as Trustees (the "Missouri-American Trustees"). Applicant's original Indenture of Mortgage was approved by this Commission in an Order dated June 14, 1968, in Case No. 16,452. There are presently due under said Indenture of Mortgage \$101,675,000 aggregate principal amount of General Mortgage Bonds. Said Indenture of Mortgage, as supplemented and amended, constitutes a first mortgage lien against the property of Applicant described in the Indenture of Mortgage,

subject to the Indenture of the former St. Louis County Water Company. The provisions of §§2.03 and 2.04 of Article 2 of the Indenture of Mortgage are applicable to the issuance of additional General Mortgage Bonds and such bonds are issuable pursuant to §2.04 so long as such proposed issue of bonds plus all other “long-term debt” of Applicant does not exceed sixty-five percent (65%) of Applicant’s “total capitalization,” all as defined in said Indenture of Mortgage as supplemented and amended.

8. Applicant has outstanding, as of December 9, 2005 \$56,000,000 of long-term unsecured indebtedness.

9. Applicant has outstanding, as of December 9, 2005 \$24,529,619 of short-term unsecured indebtedness.

10. Applicant’s authorized capital stock consists of 6,000 shares of 5 7/8% cumulative preferred stock, 100% par value, 1,680 shares of which at December 9, 2005, are issued and outstanding under authority of this Commission; 100,000 shares of 9.18% cumulative preferential stock, \$100 par value, 25,000 shares of which, at December 9, 2005, are issued and outstanding under authority of this Commission; and 40,000,000 shares of common stock, without par value, 27,744,421 shares of which are issued and outstanding under authority of this Commission. Applicant’s Restated Articles of Incorporation contain sufficient authorized shares of common stock so as to allow the issuance of approximately 12,250,000 shares of common stock, for an aggregate purchase price of \$100,000,000.

11. None of the outstanding stock, stock certificates or bonds, have been issued or used in capitalizing the right to be a corporation or any franchise or permit, or the right to run, operate or enjoy such franchise or permit, or any contract for

consolidation or the lease, or issued against or as a lien upon any contract for consolidation or merger.

Tax Exempt Financing Available Through the State Environmental Improvement and Energy Resources Authority

12. The State Environmental Improvement and Energy Resources Authority (the “Authority”) is a body corporate and politic and a government instrumentality of the State of Missouri duly organized and existing under the Constitution of the State at §§260.005 through 260.125, inclusive, RSMo. 2000, as amended (the “Act”). The Authority is authorized to issue revenue bonds and loan the proceeds therefrom to a corporation for the purpose of construction, reconstruction, enlargement, improvement, furnishing, equipping, maintaining, repairing, operating, leasing, financing and selling any facility constituting a “project” under the Act.

13. Generally, at the request of an applicant, the Authority will issue and sell for cash to an underwriter a specified principal amount of tax-exempt revenue bonds (“EIERA Bonds”). The Authority will lend the proceeds of the EIERA Bonds to the applicant pursuant to a loan agreement between the Applicant and the Authority.

14. Applicant has outstanding the following five (5) series of EIERA Bonds issued by the Authority at Applicant’s request for qualifying projects:

	Maturity Date	Interest Rate	Principal Outstanding (in dollars)
	1/1/2023	5.5000%	4,835,000
	2/1/2023	5.5000%	14,890,000
	6/1/2025	5.7000%	11,885,000
	7/1/2026	5.8500%	6,000,000
	11/1/2026	5.5000%	19,880,000
TOTAL:			57,490,000

Applicant proposes to request the Authority to issue one or more new series of EIERA Bonds the proceeds of which will be used to refund some or all of Applicant's outstanding EIERA Bonds tabulated above. The actual maturity date(s), interest rate(s) and redemption provisions will be negotiated by an underwriter and Applicant at the time of the sale of the new EIERA Bonds and will be based on market conditions at the time of the sale(s). Applicant will make such request(s) of the Authority if market conditions at the time of any such issuance result in a net interest cost savings to Applicant.

15. Concurrently with the issuance and sale of the new EIERA Bonds, and on delivery of the cash proceeds of the sale to a Trustee selected by the Applicant with the approval of the Authority for the use of the Applicant, Applicant will issue and deliver to a Trustee under the EIERA Bond Indenture, a matching aggregate principal amount of its General Mortgage Bonds, which will bear interest at a rate and contain other payment terms and conditions equivalent to those contained in the EIERA Bonds. By this arrangement, it is intended that Applicant's payments required for interest, principal and redemption of its General Mortgage Bonds shall be sufficient to pay interest on and to redeem and pay at maturity the EIERA Bonds. The Authority's right, title and interest in Applicant's General Mortgage Bonds shall constitute security for the payment of the EIERA Bonds and the interest and the redemption premium, if any, thereon. All payments by Applicant on the General Mortgage Bonds of principal, interest and the premium, if any, will be made prior to or on the dates when the corresponding payments are required to be made on the EIERA Bonds.

16. Although the Authority will be the issuer of the EIERA Bonds. As required to exempt the interest on such bonds from taxation, neither the credit of the Authority, nor that of the State of Missouri, will be pledged for the payment of the EIERA Bonds.

17. If Applicant can obtain a municipal bond insurance policy at a cost which will result in debt service on the EIERA Bonds, on a present value basis, being less than the debt of the service on the EIERA Bonds without such municipal bond insurance policy, Applicant may purchase such a policy, in which event the policy premium will be paid out of proceeds from the sale of the EIERA Bonds as an expense of the offering. Such a policy would constitute a guarantee by the issuer of the bond insurance of payments of principal and interest on the EIERA Bonds.

18. The proceeds from the sale of the General Mortgage Bonds hereinbefore described, after paying financing expenses, will be used to redeem and refinance one or all of the Applicant's outstanding series of EIERA Bonds set forth in paragraph 14.

19. The EIERA Bonds will be issued and sold by the Authority to underwriters who, in turn, will offer the EIERA Bonds to purchasers in a public or private offering. The EIERA Bonds will mature not later than thirty (30) years after their date of issuance and the interest cost of such bonds will not exceed two percentage points (200 basis points) over the Bond Buyer Revenue Bond Index as published in the most current available issue of The Bond Buyer on the business day prior to the day on which the terms of the EIERA Bonds are determined.

20. Applicant will issue and sell, for money only, from time to time, its General Mortgage Bonds, in such principal amounts as Applicant shall select, and deliver them to the Trustee under the applicable EIERA Bond Indenture to secure tax-exempt

revenue bonds for Applicant's qualifying projects under the Act. The General Mortgage Bonds are to be issued in one or more series under Applicant's Indenture of Mortgage, as heretofore amended and supplemented and to be further amended and supplemented, including by Supplemental Indenture for each new series of bonds. Each Supplemental Indenture will be dated on or prior to the initial issuance of any General Mortgage Bonds of the series of Bonds to which each Supplemental Indenture relates and will, among other things, provided for the terms of the bonds such series and describe additional after-acquired property.

Terms of Long-Term Bonded Indebtedness

21. The terms of the long-term bonded indebtedness to be incurred by Applicant, including the price, interest rate and terms of the payment of interest, maturity, redemption and sinking fund provisions, if any, and other terms and provisions cannot be determined at this time because the market for debt capital is constantly changing and, thus, the terms of the bonded indebtedness will be determined at the time of sale. Each series of General Mortgage Bonds will mature on a date or dates, will bear interest at rates of interest (subject to the limitations described above), will be subject to redemption and tender for purchase and have such other characteristics as shall be determined by Applicant, the Indenture of Mortgage and based on market conditions at the time of issuance, but subject to the terms and conditions of the Commission's order in this case. The General Mortgage Bonds issued and sold, in one or more series, and delivered to the Missouri-American Trustees, including under the EIERA Bond Indenture, shall not exceed \$57,490,000.

Supplemental Reports of Financing Activity

22. Promptly after the issuance and sale of each new series of EIERA Bonds, a report setting forth the amount, price information and other terms and provisions concerning long-term bonded indebtedness incurred by Applicant and setting forth information concerning the use of the proceeds from any such issuance with regard to the redemption of any outstanding indebtedness, including net present value calculations indicating the amount of interest cost savings, will be late-filed as *Appendix 1* (a through x, as applicable) hereto and be made a part hereof for all purposes.

23. Each of Applicant's reports will include a statement of the portion of the issuance of long-term indebtedness subject to the fee schedule set forth in §386.300 RSMo 2000, in accordance with 4 CSR 240-3.615(1)(F).

Use of Proceeds

24. Applicant intends to apply the net proceeds from each new series of General Mortgage Bonds for the discharge or lawful refunding of indebtedness outstanding at the time of closing, all as more specifically described above.

Ratemaking Implications

25. Applicant has no objection to the Commission's order approving this Application containing express language to the effect that its authorization is not a finding by the Commission of the amount of net interest cost savings to Applicant and, further, that the Commission reserves the ratemaking treatment afforded the activities undertaken by Applicant pursuant to the Commission's authorization on cost of capital in subsequent rate proceedings.

Miscellaneous Filing Requirements

26. In accordance with Commission rule 4 CSR 240-3.165(1)(D), attached hereto marked *Appendix 2*, incorporated herein for all purposes is a certified copy of the Resolutions of the Board of Directors of Applicant authorizing the issuance which is the subject of this Application and authorizing the filing of this Application.

27. Also attached hereto and incorporated herein by referenced are the following appendices as contemplated by Commission rule 4 CSR 240-3.165:

Appendix 3 - Listing of issued and outstanding bonds of Applicant;

Appendix 4 - Information regarding Applicant's capital stock outstanding, bonded indebtedness and short-term indebtedness and other financial information including a balance sheet for the 12-month period ending December 9, 2005, and a financial statement with the adjustments showing the *pro forma* effect of the issuance of the \$57,490,000 of tax-exempt debt on bonded and other indebtedness and stock authorized and outstanding;

Appendix 5 - Statement of Applicant's capital expenditures for the acquisition of property and the construction, completion, extension and improvement of its plant and system for the five (5) year period ending immediately prior to the filing of this Application, as well as the amount of retirements and permanent financing for the indicated, and a statement of Applicant's net property additions.

28. The money, property or labor to be procured or paid for by the issuance and sale of the new EI ERA Bonds herein above described is reasonably required for the purposes specified in this Application and such purposes are not in part reasonably chargeable to operating expenses or to income.

WHEREFORE, Applicant requests that the Commission issue an order authorizing Applicant to:

A. Create one or more series of its General Mortgage Bonds under its Indenture of Mortgage to First Union National Bank (formerly the Fidelity Bank) and UMB Bank and Trust, N.A. (formerly Mercantile Bank of Western Missouri, Successor to William B. Ebert) as Trustee, dated June 14, 1968, as amended and supplemented, including by the First through the Seventeenth Supplemental Indentures and to be amended and supplemented, including by a Supplemental Indenture for each new series of General Mortgage Bonds, each such series to be issued at such a time, or from time to time, to be of such aggregate principal amount as shall be determined by Applicant, provided the aggregate principal amount of all such series, shall not exceed \$57,490,000, bearing interest, including any applicable discount, at a rate not greater than two percentage points over the Bond Buyer Revenue Bond Index as published in The Bond Buyer on the day prior to the date on which the terms and conditions of the bonds are determined having maturity of not more than thirty (30) years, and having such designation and other redemption and sinking fund provisions, if any, and other terms and provisions as shall be determined by Applicant, all to be set forth in the Supplemental Indenture relating to such series of bonds, as to be executed, and as to be set forth in Appendices 1 a through x (as applicable);

B. Deliver each such series of its General Mortgage Bonds to the Trustee under the applicable EI ERA Bond Indenture in accordance with the terms of a loan agreement or agreements between Applicant and the Authority to

secure tax-exempt revenue bonds for Applicants' qualifying projects under the Act;

C. Execute and deliver to the First Union National Bank (formerly the Fidelity Bank), and UMB Bank and Trust, N.A. (formerly Mercantile Bank of Western Missouri, successor to William B. Ebert) as Trustees, a Supplemental Indenture with respect to each such series of General Mortgage Bonds, each to be dated on or prior to the date of the initial issuance of any General Mortgage Bonds of the series of General Mortgage Bonds to which such Supplemental Indenture relates, supplemental to the Indenture of Mortgage dated June 14, 1968;

D. Create and make effective the lien of the Indenture of Mortgage, dated as of May 1, 1968, as amended and supplemented, and as to be amended and supplemented, including by a Supplemental Indenture for each new series of General Mortgage Bonds, on the property of Applicant in the State of Missouri to secure each new series of General Mortgage Bonds, provided that the aggregate principal amount thereof, shall not exceed \$57,490,000;

E. Amortize any premium or discount expenses incident to the issuance of General Mortgage Bonds over the life or lives thereof;

F. Enter into, execute, deliver and perform the necessary arrangements or other documents necessary to effectuate the transactions herein above described; and

G. Take such other actions as may be reasonably necessary to complete the subject transactions;

H. Further ordering that the proceeds from the issuance and sale of bonded indebtedness will be used by the Applicant for the purposes as herein above described; and

I. Further ordering that the money, property or labor to be procured or paid for by Applicant through the issuance and sale of the new EIERA Bonds is required and necessary for the purposes set forth above and will be used therefore in such purposes are not, in whole or in part, reasonably chargeable to operating expense to income, all as required by §393.200 RSMo. 2000.

Respectfully Submitted,

/s/ Paul A. Boudreau

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Attorneys for Applicant Missouri-American
Water Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, hand-delivered, or emailed, on this 17th day of February, 2006, to:

Missouri Public Service Commission
General Counsel's Office
Governor Office Building
200 Madison Street, P.O. Box 360
Jefferson City, MO 65102

Office of Public Counsel
Governor Office Building
200 Madison Street, P.O. Box 7800
Jefferson City, MO 65102

/s/ Paul A. Boudreau
Paul A. Boudreau