

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 9th
day of December, 1983.

CASE NO. WM-84-22

Joint Petition of the St. Joseph Water Company and Joplin Water Works Company for authorization and approval of (i) The transfer to and acquisition by St. Joseph of all properties, plants and businesses of Joplin, subject to and the assumption of all the debts, liabilities and obligations of Joplin, to be effected by a statutory merger under the Missouri General Corporation Act, with St. Joseph as the surviving corporation under the changed name of Missouri-American Water Company (Missouri-American) pursuant to the terms of an agreement and plan of merger between petitioners, (ii) The execution and delivery by Missouri-American of debt instruments assuming the long-term debt obligations of the constituent corporations, the common and preferred stock as provided in such plan of merger in exchange for the issued and outstanding shares of capital stock of Joplin, and the resulting capitalization of Missouri-American upon consummation of such merger, (iii) The recording of such transaction of the books and records of Missouri-American, (iv) The transfer to Missouri-American of the franchises and other operating rights of the constituent corporations, and (v) The adoption and filing by Missouri-American of the existing schedules of rates and charges and rules and regulations of Joplin applicable to water service in the areas served by said company at the time of the consummation of the merger.

ORDER APPROVING APPLICATION FOR MERGER

On August 12, 1983, The St. Joseph Water Company (St. Joseph) and the Joplin Water Works Company (Joplin), filed a Joint Petition in this cause for authority and approval of transactions necessary to merge Joplin into St. Joseph, with St. Joseph being the surviving corporation under the changed name of Missouri-American Water Company.

The staff of the Public Service Commission has reviewed the matters contained in said Petition and has recommended approval thereof. Based upon the Petition presented and the review of the Public Service Commission staff, the Commission now enters the following findings and conclusions:

1. In accordance with the Public Service Commission Act, Chapter 393 of the Missouri Revised Statutes generally and Section 393.190, RSMo. 1978, as amended, specifically, the Commission has jurisdiction over the petitioners and the subject matter herein.

2. Each petitioner is a Missouri corporation and a wholly-owned subsidiary of the American Waterworks Company, Inc. The petitioners each render water utility service in this state and, therefore, each operates as a public utility within the meaning of the Public Service Commission Act. This water service is rendered by petitioners in the following areas within Missouri: in and adjacent to the City of St. Joseph in Buchanan and Andrew Counties, in the case of St. Joseph, and in and adjacent to the City of Joplin in Jasper and Newton Counties, in the case of Joplin. Petitioners render the aforementioned service by means of water utility plants, properties, equipment and related facilities owned, leased, operated, managed and controlled by them, which are used for the production, treatment, transmission, distribution and sale of water to consumers.

3. Subject to obtaining necessary authorization and approval of this Commission, petitioners propose that, pursuant to the Agreement and Plan of Merger attached to their Petition as Exhibit No. "D", all of the plants, properties, equipment, facilities, operating rights and other assets of St. Joseph and Joplin (hereinafter collectively referred to as the "Constituent Corporations") will be transferred to and acquired by St. Joseph, under the changed corporate name of Missouri-American Water Company (hereinafter referred to as "Missouri-American"), subject to the debts, liabilities and obligations of the Constituent Corporations which will be assumed by Missouri-American. The transaction is to be effected by way

of a statutory merger under and pursuant to the provisions of the Missouri General Corporation Act with St. Joseph as the surviving corporation. The Board of Directors and the shareholders of each petitioner have taken the necessary corporate action authorizing and approving this transaction.

4. Petitioners propose to merge in order to gain certain advantages which should result from operating as a single corporate entity. Although there will be administrative advantages through reduced recordkeeping, the greatest anticipated advantage should be an enhanced ability to obtain debt capital on more favorable terms. The substantially larger size of the merged company will permit larger debt issues which should attract greater investor interest and produce more favorable terms than would be available to the smaller existing corporations. Furthermore, the larger issues should have the effect of reducing financing expenses below that required for an equivalent amount of separate small issues. In addition, the combination of operating cycles should help to stabilize coverage ratios, and, consequently, afford greater flexibility in the timing of debt financings.

5. Upon consummation of the merger, the issued and outstanding shares of the capital stock of St. Joseph would remain outstanding and the issued and outstanding shares of the capital stock of the Constituent Corporations would, pursuant to the terms of the Agreement and Plan of Merger and by operation of law, be converted into and exchanged for shares of capital stock of Missouri-American on the following basis:

(a) Each issued and outstanding share of St. Joseph's (i) Series A, 4-1/2% Preferred Stock shall remain outstanding and be designated as a share of the Cumulative Preferred Stock, Series A, 4-1/2% of Missouri-American; (ii) each issued and outstanding share of the Common Stock of St. Joseph shall remain outstanding as one share of the Common Stock of Missouri-American.

(b) Each issued and outstanding share of Joplin's (i) 4.65% Cumulative Preferred Stock will be converted into one share of the Cumulative Preferred Stock, Series B, 4.65% of

Missouri-American; (ii) the issued and outstanding shares of Common Stock of Joplin shall be converted into 662,294 shares of the Common Stock of Missouri-American.

Each share of the Cumulative Preferred Stock of Missouri-American will be of the par value of \$100 per share, and each share of its Common Stock will be of no par value per share. Certificates for shares of Missouri-American will be issued in exchange for and upon surrender of the converted shares of the Constituent Corporations on the foregoing basis, provided that no fractional shares will be issued. Shares of the Constituent Corporations, upon conversion into shares of Missouri-American, will be cancelled. Amended Articles of Incorporation of St. Joseph are to be filed providing for the additional authorized capital stock necessary to effectuate these transactions.

In addition, pursuant to the agreements necessary to obtain the consent of Preferred Shareholders to the merger, the sinking fund on the outstanding issues of Series B (formerly Joplin) Preferred Stock is to be increased from 2% to 4% annually.

6. It is further proposed that in carrying out the transaction Missouri-American, as the surviving corporation, will cause to be executed a Seventh Supplemental Indenture to the Joplin First Mortgage and a Third Supplemental Indenture to the Joplin General Mortgage. Missouri-American will also execute and deliver a Fifth Supplemental Indenture to the St. Joseph First Mortgage and a Fourth Supplemental Indenture to the St. Joseph General Mortgage to reflect, among other things, the change of corporate name and the merger of the Constituent Corporations into Missouri-American.

7. Upon consummation of the proposed transaction, Missouri-American will continue to render water utility service in the territories now served petitioners in essentially the same manner now provided. Petitioners request that the Commission, by its Order entered in this cause, transfer their certificates, operating rights and permits to Missouri-American and reissue the same in the name of Missouri-American, thereby authorizing Missouri-American to render water utility service in the areas

now served by the petitioners. Missouri-American proposes to adopt and file with the Commission schedules of rates and charges and rules and regulations applicable to water service rendered and to be rendered in each of the territories served by petitioners, which rates, charges, rules and regulations shall be the same as those existing and approved for petitioners' service in such areas. Said rates and rules and regulations shall be effective as of the date of the merger and will continue in effect until further order of the Commission. The depreciation rates applicable to the depreciable properties in each service area on the effective date of the merger will also be adopted and applied by Missouri-American in each service area until further order of the Commission.

8. Exhibit B, Page 1, to the Joint Petition shows that the combined balance sheets of petitioners as of June 30, 1983, results in a pro forma total net utility plant of \$21,767,323.00 for Missouri-American. Exhibit B, Page 2, to the Joint Petition shows that as of June 30, 1983, the combined capital structures of petitioners result in the following pro forma capitalization for Missouri-American:

	<u>Amount</u>	<u>Ratio</u>
Long-Term Debt	\$11,992,000	57.9%
Preferred Equity	\$ 492,000	2.4%
Common Equity	<u>\$ 8,237,974</u>	<u>39.7%</u>
Total Capitalization	\$20,721,974	100.0%

9. The Commission finds that the proposed transaction upon the terms provided in the Agreement and Plan of Merger is not detrimental to the public interest, and should be approved.

It is, therefore,

ORDERED: 1. That the transfer to, and acquisition by, St. Joseph Water Company of all the properties, plants, equipment, facilities, operating rights, businesses and other assets of Joplin Water Works Company, in accordance with the Agreement and Plan of Merger filed herein as Exhibit No. "D", be, and is hereby, authorized and approved.

ORDERED: 2. That St. Joseph Water Company shall be the surviving corporation under the changed corporate name of Missouri-American Water Company.

ORDERED: 3. That the issuance and delivery by Missouri-American of shares of its preferred stock and common stock, and certificates representing such shares, to the owners of the issued and outstanding shares of preferred stock and common stock of St. Joseph and Joplin, and the conversion and exchange of such shares into the capital stock of Missouri-American, all in accordance with the Agreement and Plan of Merger filed herein, be, and is hereby, approved.

ORDERED: 4. That the execution and delivery by Missouri-American of the supplemental indentures described hereinabove and the execution and delivery by Missouri-American of supplemental indentures to the St. Joseph and Joplin First Mortgages and the St. Joseph General Mortgages, be, and are hereby, authorized; provided that Missouri-American shall file with the Secretary of the Commission conformed copies of such supplemental indentures in their final form within thirty (30) days of execution and delivery of same.

ORDERED: 5. That upon consummation of the merger transaction, the aggregate of the assets, liabilities, and reserve and capital accounts of St. Joseph and Joplin shall be transferred to and recorded upon the books and records of Missouri-American in the same amounts and same accounts as said items appear on the books and records of St. Joseph and Joplin as of the effective date of the merger, in accordance with the application filed herein.

ORDERED: 6. That upon the effective date of the merger authorized herein, the operating rights of St. Joseph Water Company and Joplin Water Works Company shall be transferred to Missouri-American, and Missouri-American shall be authorized to render water utility service within the respective areas in which St. Joseph and Joplin presently have permits to render service from this Commission; and the Secretary of the Commission shall issue a revised Certificate of Public Convenience and Necessity to Missouri-American reflecting such operating authority upon request

by Missouri-American within thirty (30) days following the effective date of the merger.

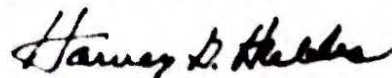
ORDERED: 7. As of the effective date of the merger herein approved and authorized, the rates, charges, rules and regulations of St. Joseph Water Company and Joplin Water Works Company shall be adopted and be applied by, Missouri-American, as reflected in revised tariffs to be filed by Missouri-American for approval by the Commission within thirty (30) days after the effective date of this order.

ORDERED: 8. That Missouri-American shall maintain separate accounting records and property books for the Joplin service area and for the St. Joseph service area.

ORDERED: 9. That nothing in this Order shall be considered a finding by the Commission of the value for ratemaking purposes of the properties herein involved, nor as an acquiescence in the value placed upon said properties by St. Joseph Water Company, Joplin Water Works Company, or Missouri-American Water Company. Furthermore, the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions, and their resulting cost of capital, in any later rate proceeding.

ORDERED: 10. That this Order shall become effective on the 30th day of December, 1983.

BY THE COMMISSION



Harvey G. Hubbs
Secretary

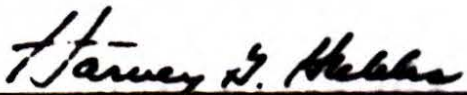
(S E A L)

Shapleigh, Chm., Musgrave, Mueller
and Hendren, CC., Concur.

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, this 9th day of December 1983.



Harvey G. Hubbs
Secretary