

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

In the Matter of Missouri-American Water	)	
Company for Authority (1) Issue up to	)	
\$200,000,000 of Unsecured Long-Term	)	
Debt and (2) to Issue and Sell Additional	)	<u>Case No. WF-2007-0279</u>
Common Stock to, or Receive Additional	)	
Paid-in Capital from Its Parent Company in	)	
an Aggregate Amount up to \$105,000,000.	)	

**STAFF’S RECOMMENDATION REGARDING
MAWC’S MOTION TO REOPEN CASE FOR SECOND SUPPLEMENTAL ORDER**

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Recommendation states the following:

1. On January 21, 2009, the Commission issued its *Order Directing Staff to File an Expedited Recommendation* by January 26, 2009 ordering Staff to respond to Missouri-American Water Company’s (MAWC) “Motion to Reopen Case for Second Supplemental Order and for Expedited Consideration”. Specifically, Staff was directed to state “whether it supports or opposes a time limitation on the authority granted in the Commission’s July 15, 2008 order.” See *Order Granting Motion to Reopen Case and Supplemental Order Modifying Conditions of Order Granting Financing Application* (Supplemental Order).

2. MAWC originally sought, as of January 24, 2007, Commission “authority to issue notes in one or more series evidencing up to \$200,000,000 of long-term indebtedness payable to American Water Capital Corporation”, (*Supplemental Order* at 1, emphasis added), along with other proposals. MAWC’s Application set as the deadline for these issuances: “18. Applicant anticipates that debt and equity transactions totaling up to \$130,000,000 will occur prior to June 30, 2007. Any remaining balances of the proposed long-term debt and common equity or additional paid-in-capital will occur prior to December 31, 2008.” Application at 7.

3. In Staff's original recommendation, filed March 26, 2007, Staff analyzed MAWC's financing application and its request to issue \$200 million of debt and recommended the Commission approve this request with certain conditions.

4. The Commission approved this request in its *Order Granting Financing Application* (Order) issued April 5, 2007, stating "Consequently, the Commission shall approve MAWC's application subject to the conditions requested by Staff." *Id.* at 6.

5. Staff also made a supplemental recommendation on July 9, 2008 in response to MAWC's May 23, 2008 motion to modify the allowable spread over treasuries for the requested debt securities. Staff believed this request was reasonable considering developing credit market issues at the time of that request.

6. MAWC states that it plans to issue \$20 million dollars of long-term unsecured indebtedness of the \$200 million **during the first quarter of 2009**, resulting in \$7 million dollars remaining from the Commission's original financing authorization. However, MAWC now requests that the time period for MAWC's financing authority be extended beyond December 31, 2008 through December 31, 2009, or an order be issued by the Commission stating that modification is not necessary, to be able to issue the entire remaining amount.

7. Staff understands that planned capital expenditures and debt issuances may not be made exactly on schedule. However, MAWC filed its financing case requesting authority to issue debt "up to" specific amounts and within specific timeframes for completion, which Staff then analyzed within those specifications.

8. Staff believes allowing MAWC an additional three months for debt issuance within the first quarter of 2009 under its previous authority is acceptable. This additional time should also allow MAWC to file a new case for authority to issue additional debt if needed. If MAWC

is unable to issue the remaining debt under its existing authority in the first quarter, then its new application should add this amount to its request whereby those specific amounts and timeframes can be analyzed.

9. Therefore, Staff supports extending the original Company set and Commission adopted time limitation from December 31, 2008 to March 31, 2009 for issuing the debt under the authority granted in the Commission's July 15, 2008 *Supplemental Order*.

WHEREFORE, Staff respectfully recommends the Commission order a time extension from December 31, 2008 to March 31, 2009 for MAWC to issue debt under this case's financing authority granted by the Commission.

Respectfully Submitted,

/s/ **Shelley Syler Brueggemann**

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this Recommendation has been provided, either by first-class mail, by electronic mail, by facsimile transmission or by hand-delivery, to each attorney and/or party of record for this case on this 23rd day of January 2009.

/s/ **Shelley Syler Brueggemann**